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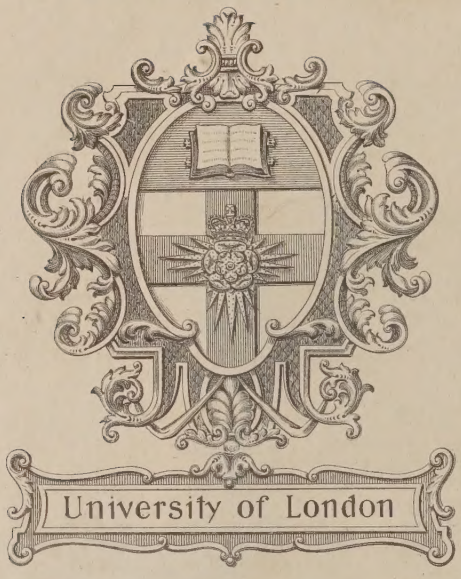

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REPORTS

FROM

COMMITTEES:

THIRTY-TWO VOLUMES.

—(14.)—

ASSURANCE ASSOCIATIONS.

Session

4 *November* 1852——20 *August* 1853.

VOL. XXI.

1852-53.

REPORTS FROM COMMITTEES:

1852-53.

THIRTY-TWO VOLUMES:—CONTENTS OF THE

FOURTEENTH VOLUME.

N. B.—*THE* Figures *at the* beginning of the line, *correspond with the* N° *at the foot of each* Report; *and the* Figures *at the* end of the line, *refer to the* MS. Paging *of the Volumes arranged for The House of Commons.*

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REPORT

FROM THE

SELECT COMMITTEE

ON

ASSURANCE ASSOCIATIONS.

TOGETHER WITH THE

PROCEEDINGS OF THE COMMITTEE,

MINUTES OF EVIDENCE,

APPENDIX, AND INDEX.

Ordered, by The House of Commons, *to be Printed,*
16 *August* 1853.

Martis, 8° *die Martii*, 1853.

Ordered, THAT a Select Committee be appointed to take into consideration the Subject of Assurance Associations.

Jovis 10° *die Martii*, 1853.

Committee nominated of—

Mr. Wilson.
Mr. Cardwell.
Mr. Henley.
Mr. Hamilton.
Mr. Glyn.
Mr. Sotheron.
Mr. Matthew Forster (unseated).
Mr. Danby Seymour.
Mr. Thomas Chambers.
Mr. Mullings.
Mr. Freshfield.
Mr. Geach.
Mr. John Abel Smith.
Mr. Cowan.
Mr. John Ball.

Ordered, THAT the Committee have power to send for Persons, Papers, and Records.

Ordered, THAT Five be the Quorum of the Committee.

Veneris, 29° *die Aprilis*, 1853.

Ordered, THAT Mr. Muntz be added to the Committee.

Veneris, 3° *die Junii*, 1853.

Ordered, THAT the Order, "That Five be the Quorum of the Committee," be read, and discharged; and that Three be the Quorum of the Committee.

Martis, 16° *die Augusti*, 1853.

Ordered, THAT the Committee have power to Report their Observations, with the Minutes of Evidence taken before them, to The House.

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REPORT.

THE SELECT COMMITTEE appointed to take into consideration the Subject of ASSURANCE ASSOCIATIONS, and who were empowered to report their Observations, and the MINUTES of EVIDENCE taken before them, to The House;——HAVE considered the matters to them referred, and have agreed to the following REPORT:

YOUR Committee have considered the subject referred to them, and have examined the Registrar and Assistant Registrar of Joint Stock Companies; the Registrar of Friendly Societies; Mr. Finlaison, the late Actuary to the Commissioners of the National Debt; Dr. Farr, at the head of the statistical department of the Registrar-general's Office; and many of the most eminent actuaries connected with insurance offices of every class.

2. So far as regards the Joint Stock Companies' Act of 1844, Your Committee have confined their inquiry chiefly to that portion of it which affects Insurance Companies, and more particularly the business of life insurances. From the evidence of the Registrar and Assistant Registrar of Joint Stock Companies, it appears that the law, as it now stands, is extremely defective, and that the provisions of the Act of 1844 are very imperfectly carried out; many of which they have no power to enforce if not complied with.

3. With regard to provisional registration, it appears that the law, as it now stands, does not afford the security which was contemplated by the Act of 1844; inasmuch as the representations made by the prospectuses and advertisements issued by new companies often vary very materially from the objects for which they have been provisionally registered; and there appears to be no means at present to prevent deception and misrepresentation being practised on the public in this way. Nor are the regulations required in order to obtain complete registration more perfect for that purpose. It is required by the law that the deed of settlement should be signed by shareholders equal to one-fourth in number, and representing one-fourth of the proposed capital of such companies; but it appears from the evidence of Mr. Whitmarsh that this provision has been extensively abused by means of false and fraudulent signatures, and has thus proved to be a very insufficient security for the objects contemplated. It appears, also, that it has been frequently evaded by companies commencing business with a very small capital, and, immediately upon obtaining complete registration, greatly increasing its amount, which they are enabled to do without further recourse to the office of the Registrar. These observations, however, apply to Joint Stock Companies generally.

4. After Joint Stock Companies are completely registered, one of the chief securities contemplated by the Act of 1844 for the safety of the public is the duty imposed upon them to return annual balance-sheets representing the state of their affairs to the Registrar's Office, where they are open to public inspection. But from the fact, that that Act prescribed no form, and furnished the Registrar with no power to enforce a compliance with the spirit, or even with the letter, of the law, it appears that this provision has been very imperfectly complied with in many cases, and in others altogether neglected; so that it cannot be said that it has afforded, in a majority of cases, either the information or the security which was intended. Much doubt, indeed, has been expressed by some witnesses whether the publication of accounts in their present form has not rather tended to mislead than to inform the public, in which view Your Committee are inclined to acquiesce. And if the system of publishing accounts

is in future to be persevered in, Your Committee express a decided opinion that the law must define more clearly what it requires; and that a greater power should be given to enforce whatever provisions are thought necessary for the purpose.

5. There is one subject which has formed so prominent a feature during Your Committee's inquiry, and which has partly arisen from the Act of 1844, that they cannot pass it over without some remark, viz., the differences of opinions and views entertained by the two great classes of offices, the one including those established since the passing of the Act of 1844, and completely registered under that Act, and the other those established prior to that date, and not so registered. Your Committee have arrived at the conclusion, that in many ways that distinction has operated prejudicially, and that it would be eminently to the advantage of the offices themselves, as well as to the public at large, if all Insurance Companies could be brought under one law, leaving each Company to recommend itself to the public upon its own merits.

6. With regard to the general condition of existing Companies, so far as any evidence has been laid before Your Committee, they feel it their duty to report, that it is more satisfactory than they had been led to believe before they entered upon their inquiry. No doubt instances of great abuses and flagrant frauds have been disclosed by the witnesses examined, but in general these consisted of an open violation of all law, more akin to swindling than to regular trade, and such as it would be difficult for any Legislature to prevent, so long as private persons exercise so little precaution in the conduct of their own affairs. But while the Committee are enabled to speak in these satisfactory terms of existing offices, so far as the evidence has gone, their attention has been called to the great facilities which exist under the present state of the law, for Insurance Companies, in common with others, being brought into existence with no reasonable prospect of, or guarantee for success, and not unfrequently without any *bonâ fide* intention of transacting business. It appears by a return made to Your Committee from the office of the Registrar, that since the passing of the Act in 1844, no fewer than 311 Insurance Companies of various kinds have been prosionally registered, of which only 140 were completely registered, and of which only 96 continue to exist at this time. And while Your Committee have reason to believe that some of the companies which have ceased to exist during that period, have been absorbed in other companies by whom their business has been taken over, yet at the same time they have no doubt that considerable traffic has been carried on in the mere creation of companies which never had any real prospect of a *bonâ fide* existence.

7. So far then as regards the present state of the law, as established by the Act of 1844, it appears to be a very general, if not a universal opinion, that it requires some amendment, and in which Your Committee fully concur. They are deeply impressed with the opinion, that as the law now stands, it does either too much or too little; too much, inasmuch as any legislative enactments professing to protect the public in such matters, have a certain tendency to weaken and impair that individual vigilance which would be more surely exercised, if no such attempt was made; and too little, inasmuch as the securities which the law provides are ill calculated to effect the object at which they aim. On the part of all the witnesses examined, Your Committee found a laudable desire to improve the existing state of the law, differing, no doubt widely, in their views, as to the best mode of accomplishing that object. On the part of the old offices of extensive business, the witnesses who more particularly represented them, expressed their desire to be placed under one general rule, to make such annual returns, and to afford such other tests as could be given without an undue interference with their business, for the purpose of securing one safe and uniform system, by which a reasonable security may be afforded for the respectability and solvency of Insurance Companies.

8. In approaching the question of what alterations in the present state of the law Your Committee are prepared to recommend, they feel that it is one which is surrounded by great difficulties. The two distinct principles in respect to subjects of this nature, viz., that of interference by the Government for the protection of the public, and that of no interference whatever, have been

been very fully and ably discussed by the witnesses examined by Your Committee. On the one hand, even admitting the general wisdom of the principle of non-interference on the part of the Government in matters of trade, it has been contended that the question of life insurance differs so materially in its general character from ordinary trading transactions, that it may fairly be considered as an exception to that rule. This exceptional treatment has been justified and supported, on the ground that the obligations undertaken by such associations, have reference to a very remote and uncertain period; that the object which persons have in view in effecting insurances upon their lives, is generally of an important and solemn character, viz., the provision for widows and orphans after the death of their natural protectors; that, unlike any ordinary transaction of trade, a contract once entered into cannot be discharged or abandoned, if doubts of the stability of an office should arise, without a great sacrifice of premiums paid in past years, and the necessity of effecting new policies in other offices at increased rates of premium, owing to the greater age of the assured; and that in the present state of uncertainty which arises from the imperfect knowledge as to the real condition of assurance offices, persons are thus placed in the anxious and unhappy dilemma of being compelled to persevere in paying premiums from year to year, with some suspicion and doubt as to the ultimate advantage of doing so, or of incurring the serious loss which, under the most favourable circumstances, must attend the abandonment or sale of a policy. On these considerations, as a special case, it has been contended by different witnesses of great experience, that interference on the part of the Government is not only justifiable, but a matter of high duty, for the protection and information of the public.

9. On the other hand, it has been contended, with equal ability, that insurance business forms no exception to ordinary trade in these respects; that the Acts which have already been passed with a view of controlling the operations of insurance societies have been rather hurtful than beneficial for the very objects they had in view; that an apparent compliance with the provisions of an Act of Parliament and a certificate of complete registration, while they have proved entirely ineffectual for their professed objects, and no real security to the public, have afforded facilities, under the sanction of Parliamentary authority, embodied in regulations administered by a public department, for the formation of companies and the perpetration of frauds which could not otherwise have been accomplished. And it has been further contended that it is impossible to make such regulations, consistent with the free development of private enterprise, which, so far as the public is concerned, will not prove more prejudicial by lulling private prudence and vigilance, than beneficial in respect to any increased security which they can confer.

10. Much difference of opinion has been expressed by the different witnesses favourable to the former of the two principles alluded to, as to the extent to which Government interference should take place; some have contended, not only for an enactment which should more strictly regulate the circumstances under which insurance companies can be formed, but also for the appointment of Government actuaries, under a department of the State, who should have a direct supervision of the proceedings of all insurance companies, while the generality of witnesses favourable to some regulations have confined themselves to much narrower limits, and have contended only for such precautions as should test the *bonâ fides* of new companies, and as should from time to time afford a fair amount of information with respect to the condition of such companies, relying upon the good faith of directors and actuaries for the accuracy of the information furnished.

11. In venturing to express the views which Your Committee have been led to entertain as to the course which Parliament should pursue in future in regard to the subject of Life Assurances, they will divide their remarks into five heads:

1. As to the mode in which it is desirable to deal with the present Joint Stock Companies' Act, so far as relates to Insurance Companies.

2. As to the Registrar's office, duties and powers.

3. As to the registration of existing offices.

4. As to precautions which it seems desirable to take in order to test the *bonâ fides* of new associations, and to entitle them to complete registration.

5. As to the securities which can be afforded to the public by the publication of periodical accounts

12. Your Committee will now proceed to remark on each of these points separately.

1st. Your Committee are of opinion that the business of assurance companies differs so much from ordinary business, that it will be advisable to repeal all the provisions of the Joint Stock Companies' Act so far as they relate to assurance societies, and to deal with them in a separate Act.

2d. Your Committee have already adverted to the insufficient power which the existing Act confers upon the Registrar of Joint Stock Companies to give effect to the provisions of the law. Your Committee are of opinion that whatever duties may be intrusted to that officer under any Act to be passed, it is essential that adequate powers should be provided to enable him, either by himself, or through one of the departments of the State, to enforce any regulations that Parliament may think it wise to enact. Experience has proved that without such powers, regulations become a dead letter, and are only calculated to mislead by the apparent sanction which they give to proceedings not in reality controlled by them.

3d. Your Committee, in a former part of this Report, have alluded to the inconvenience which has arisen from the fact that a portion of the existing assurance offices are completely registered under the Act of 1844, and a portion not so registered. The effect of this distinction has been to lead to controversies between the "old offices" (established prior to 1844), and the "new offices" (established since the passing of the Act of that year); which have been prejudicial to the interests of the public. Your Committee are, therefore, of opinion that it would be highly advantageous to all parties if all companies, both those existing and those that may in future be formed, could be placed under one general system of registration. In accomplishing this, Your Committee would recommend that the requirements for registration, as regards existing Companies, should be as simple as possible, but that whatever periodical returns may be deemed necessary, should be the same as regards all companies whatever.

With regard to Mutual Assurance Companies, where the claims of the assured are confined to the funds of the society, and where no personal liability attaches, Your Committee are of opinion that the requirement of the law that the members of such societies should be registered, is of no real utility to the public or the assured, while it is both expensive and troublesome; and that all the objects of the law would be answered by a registration of the directors and other officers of such societies.

4th. Your Committee feel that perhaps the most important part of their inquiry is that which refers to the precautions which should be hereafter adopted with regard to the formation of new companies. On the one hand, Your Committee feel that the ground hitherto occupied by these useful institutions have been comparatively limited, and that their application is capable of a great extension not only in the higher and middle classes of society, but also among the humbler classes, to whom it has recently been very considerably applied; and that it is therefore very important that no check or impediment should be placed in the way of the further extension of this enterprise, not absolutely needful for the security of the public. On the other hand, the Committee are of opinion that in the interest of the companies themselves, as well as in that of the public, it is desirable to interpose such checks as will give a reasonable guarantee as to the *bonâ fide* intentions of the promoters of such companies. To this extent only the Committee are of opinion that any interference at this stage is desirable. With this view, in addition to such regulations as may be considered needful for the purposes of registration, the Committee are of opinion that no new company should be admitted to complete registration until a capital shall have been subscribed, and actually paid up, of at least 10,000 *l.*, and which shall be invested in the public funds, under such regulations as Parliament may deem fit

fit to enact; to be considered in the double light of a test of *bonâ fide* intentions on the part of the promoters, and of a security for the liabilities of the company at its early stage of existence.

5th. No part of the subject submitted to Your Committee has received more attention than that of the publication of periodical accounts. Hitherto those accounts, as published, have been of a most unsatisfactory character. Your Committee have carefully considered whether it would be practicable to prescribe such a form of account as would accomplish the objects of the Legislature; but after the most careful consideration, they are led to the conclusion that no fixed form could be made applicable to all cases, which would not be exposed to much evasion, or which would practically afford any real security.

Your Committee therefore would recommend that it shall be imperative upon each company to make a complete investigation into its affairs at least once in five years, as is usually prescribed by their deeds of settlement, and at such times so prescribed, which shall show a complete valuation of their risks and liabilities, and of their assets to meet the same; and that all such valuation accounts, which may be made for the information and use of their proprietors, shareholders, or members, shall be registered in the office of the Registrar; and that in each intermediate year between such periodical balance-sheets or valuations, there shall also be registered a statement containing authenticated information on the following particulars:

The amount of receipts during the year for premiums on policies.

The amount of expenses during the year.

The number and amount of new policies issued.

The total number and amount of liabilities on all current policies.

The total amount of premiums receivable on the same.

The whole amount of capital; distinguishing the manner in which invested.

How much in cash.

How much in Government securities.

How much in mortgage upon real estate.

How much in other securities; specifying their nature.

The average rate of interest received upon each class of investments.

The amount of such investment, if any, on which the payment of interest is in arrears.

The table of mortality, and the rate of interest used in calculating the premiums.

13. The evidence which Your Committee has obtained, leads them to believe that some such general statement would be of much greater utility in enabling the public to come to a correct judgment as to the condition of an office, than any form of account that could be adopted. In addition to the above, in the case of proprietary companies, the amount of subscribed capital should be stated, and also the amount actually paid up, and how invested.

14. It has been brought to the attention of Your Committee, that the business of assurance offices is becoming every year of a more varied character.

15. This Your Committee regard as the necessary result of the advancement of the science on which it is based; but there is a class of business which some offices have undertaken, viz., that of receiving deposits of money at interest, which appears to Your Committee totally inconsistent with the business of life assurance.

16. Your Committee will conclude their Report by calling attention to a part of the evidence which advocates the formation of an incorporated society of

actuaries, with a view to the advancement of that important science, and also with a view to issue diplomas or certificates to persons qualified to practise as actuaries. If any effort should be made to induce Parliament to grant such an incorporation, the Committee are of opinion, that it will be worthy of consideration, but that further investigation would be needful before such measures should be adopted, as considerable difference of opinion prevails on the subject among actuaries themselves.

16 *August* 1853.

PROCEEDINGS OF THE COMMITTEE.

Lunæ, 14° *die Martii*, 1853.

MEMBERS PRESENT:

Mr. Hamilton.	Mr. Ball.
Mr. M. Forster.	Mr. Sotheron.
Mr. Freshfield.	Mr. Wilson.
Mr. Geach.	Mr. J. A. Smith.
Mr. Cowan.	

Mr. WILSON was called to the Chair.

Committee deliberated on the course of proceedings.

[Adjourned to Thursday, 7th April, at One o'clock.

Jovis, 7° *die Aprilis*, 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. Hamilton.	Mr. J. Ball.
Mr. Sotheron.	Mr. Chambers.
Mr. Forster.	Mr. Henley.
Mr. Glyn.	Mr. Mullings.
Mr. Cowan.	Mr. D. Seymour.

Mr. *Francis Whitmarsh*, examined.

[Adjourned to Monday, at One o'clock.

Lunæ, 11° *die Aprilis*, 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. Forster.	Mr. Sotheron.
Mr. Glyn.	Mr. J. A. Smith.
Mr. Cowan.	Mr. Chambers.
Mr. Ball.	

Mr. *George Taylor*, examined.

[Adjourned to Thursday next, at One o'clock.

Lunæ, 18° *die Aprilis*, 1853.

MEMBERS PRESENT:

Mr. Cowan.	Mr. Glyn.
Mr. Freshfield.	Mr. John Ball.
Mr. Ball.	Mr. T. Chambers.
Mr. Seymour.	Mr. J. A. Smith.

Mr. SOTHERON took the Chair in the absence of the Chairman.

Mr. *John Tidd Pratt*, examined.

[Adjourned to Thursday next, at One o'clock.

Lunæ, 25° *die Aprilis*, 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.,

Mr. Glyn.	Mr. Cowan.
Mr. Chambers.	Mr. Hamilton.
Mr. J. Ball.	Mr. Geach.
Mr. Seymour.	Mr. Mullings.
Mr. Freshfield.	

Mr. *John Finlaison*, examined.

[Adjourned to Monday next, at One o'clock.

Lunæ, 2° *die Maii*, 1853.

MEMBERS PRESENT:

Mr. Freshfield.	Mr. Ball.
Mr. Sotheron.	Mr. Geach.
Mr. Glyn.	Mr. Cowan.
Mr. Chambers.	

Mr. HAMILTON took the Chair in the absence of Mr. Wilson.

Mr. *Charles Ansell*, examined.

[Adjourned to Thursday, at One o'clock.

Jovis, 5° *die Maii*, 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. G. A. Hamilton.	Mr. Danby Seymour.
Mr. Sotheron.	Mr. Thomas Chambers.
Mr. Ball.	Mr. Mullings.
Mr. Muntz.	Mr. Geach.
Mr. Cowan.	

Mr. *Charles Ansell* and Mr. *W. T. Thompson*, examined.

[Adjourned to Monday, at One o'clock.

Lunæ, 9° *die Maii*, 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. Cowan.	Mr. Freshfield.
Mr. Chambers.	Mr. John Ball.
Mr. Hamilton.	Mr. Mullings.

Mr. *James John Downes*, examined.

[Adjourned to Thursday, at One o'clock.

Jovis, 12° *die Maii*, 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. Hamilton.	Mr. Geach.
Mr. Chambers.	Mr. Seymour.
Mr. Mullings.	Mr. J. Ball.
Mr. Cowan.	

Mr. *T. R. Edmonds*, examined.

[Adjourned to Thursday, 2d June, at One o'clock.

Jovis, 2° *die Junii*, 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. Muntz.	Mr. Mullings.
Mr. Cowan.	Mr. Chambers.

Mr. *Samuel Brown*, examined.

[Adjourned to Monday, at One o'clock.

Lunæ, 6° *die Junii*, 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. Glyn.	Mr. Cowan.

Order of The House of the 3d June, making Three the quorum of the Committee, read.

Mr. *Samuel Ingall*, examined.

[Adjourned to Thursday, at One o'clock.

Jovis, 9° *die Junii*, 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. Glyn.	Mr. Mullings.
Mr. Muntz.	Mr. Geach.
Mr. Cowan.	

Mr. *S. Ingall*, and Mr. *Charles Jellicoe*, examined.

[Adjourned to Monday, at One o'clock.

Lunæ, 13° *die Junii*, 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. Hamilton.	Mr. Mullings.
Mr. Chambers.	Mr. Sotheron.
Mr. Cowan.	

Mr. *F. G. R. Neison*, examined.

[Adjourned to Thursday, at One o'clock.

Jovis, 16° *die Junii*, 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. Chambers.	Mr. Geach.
Mr. Cowan.	

Mr. *John A. Higham*, and Mr. *John Hornby*, examined.

[Adjourned to Monday, at One o'clock.

Lunæ, 20° *die Junii*, 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. Muntz.	Mr. Glyn.
Mr. Henley.	Mr. Cowan.
Mr. Mullings.	

Mr. *E. John Farren*, examined.

[Adjourned to Thursday, at One o'clock.

Jovis, 23° *die Junii*, 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. Muntz.	Mr. Geach.
Mr. Sotheron.	Mr. Cowan.

Mr. *Edward Ryley* and Mr. *Alexander Colvin*, examined.

[Adjourned to Monday, at One o'clock.

Lunæ, 27° *die Junii*, 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. Mullings.	Mr. John Ball.
Mr. Freshfield.	Mr. Geach.
Mr. Cowan.	Mr. Chambers.
Mr. Sotheron.	

Mr. *William S. D. Pateman* and Mr. *J. D. Fitzgerald*, a Member of The House, examined.

[Adjourned to Thursday, at One o'clock.

Jovis, 30° *die Junii*, 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. Cowan.	Mr. Muntz.
Mr. Henley.	

William Farr, Esq., M. D., Mr. *Alexander Robertson*, and Mr. *Colvin*, examined.

[Adjourned to Monday, at Two o'clock.

Lunæ, 4° *die Julii*, 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. Cowan.	Mr. D. Seymour.
Mr. Freshfield.	Mr. Hamilton.
Mr. Henley.	Mr. Glyn.

Committee deliberated.

[Adjourned to Thursday, at Twelve o'clock.

Jovis, 7° die Julii, 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. Henley.	Mr. Geach.
Mr. Cowan.	Mr. Danby Seymour.

Mr. *Alexander Robertson,* Mr. *Alexander Colvin,* and Mr. *F. G. P. Neison,* examined.

[Adjourned to Friday, 15th, at One o'clock.

Veneris, 15° *die Julii,* 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. Freshfield.	Mr. Danby Seymour.
Mr. Hamilton.	Mr. John Ball.
Mr. Cowan.	Mr. Mullings.

Committee deliberated.

The Chairman was instructed to prepare a Report for the consideration of the Committee.

[Adjourned to Monday, 15th August, at One o'clock.

Lunæ, 15° *die Augusti,* 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. Freshfield.	Mr. Hamilton.
Mr. Muntz.	Mr. Chambers.
Mr. Sotheron.	

Draft Report proposed by the Chairman read 1°, as follows:

"Your Committee have considered the subject referred to them, and have examined the Registrar and Assistant Registrar of Joint Stock Companies; the Registrar of Friendly Societies; Mr. Finlaison, the late Actuary to the Commissioners of the National Debt; Dr. Farr, at the head of the statistical department of the Registrar-general's Office: and many of the most eminent actuaries connected with insurance offices of every class.

"So far as regards the Joint Stock Companies' Act of 1844, Your Committee have confined their inquiry chiefly to that portion of it which affects Insurance Companies, and more particularly the business of life insurances. From the evidence of the Registrar and Assistant Registrar of Joint Stock Companies, it appears that the law, as it now stands, is extremely defective, and that the provisions of the Act of 1844 are very imperfectly carried out; many of which they have no power to enforce if not complied with.

"With regard to provisional registration, it appears that the law, as it now stands, does not afford the security which was contemplated by the Act of 1844; inasmuch as the representations made by the prospectuses and advertisements issued by new companies often vary very materially from the objects for which they have been provisionally registered; and there appears to be no means at present to prevent deception and misrepresentation being practised on the public in this way. Nor are the regulations required in order to obtain complete registration more perfect for that purpose. It is required by the law that the deed of settlement should be signed by shareholders equal to one-fourth in number, and representing one-fourth of the proposed capital of such companies; but it appears from the evidence of Mr. Whitmarsh that this provision has been extensively abused by means of false and fraudulent signatures, and has thus proved to be a very insufficient security for the objects contemplated. It appears, also, that it has been frequently evaded by companies commencing

commencing business with a very small capital, and, immediately upon obtaining complete registration, greatly increasing its amount, which they are enabled to do without further recourse to the office of the Registrar. These observations, however, apply to Joint Stock Companies generally.

"After Joint Stock Companies are completely registered, one of the chief securities contemplated by the Act of 1844 for the safety of the public is the duty imposed upon them to return annual balance-sheets representing the state of their affairs to the Registrar's Office, where they are open to public inspection. But from the fact, that that Act prescribed no form, and furnished the Registrar with no power to enforce a compliance with the spirit, or even with the letter, of the law, it appears that this provision has been very imperfectly complied with in many cases, and in others not at all; so that it cannot be said that this provision, as it has heretofore been acted upon, has afforded, in a majority of cases, either the information or the security which was intended. Much doubt, indeed, has been expressed by some witnesses whether the publication of accounts in their present form has not rather tended to mislead than to inform the public, in which view Your Committee are inclined to acquiesce. But if the system of publishing accounts is in future to be persevered in at all, Your Committee express a decided opinion that the law must define more clearly what it requires; and that there should be given a greater power to enforce whatever provisions are thought necessary for the purpose.

"There is one subject which has formed so prominent a feature during Your Committee's inquiry, and which has partly arisen from the Act of 1844, that Your Committee cannot pass it over without some remark, viz., the differences of opinions and views entertained by the two great classes of offices, the one including all those established since the passing of the Act of 1844, and consequently registered under that Act, and all those established prior to that date, and not so registered. Your Committee have arrived at the conclusion, that in many ways that distinction has operated prejudicially, and that it would be eminently to the advantage of the offices themselves, as well as to the public at large, if all insurance offices could be brought under one law, leaving each office to recommend itself to the public upon its own merits.

"With regard to the general condition of existing offices, so far as any evidence has been laid before Your Committee, they feel it their duty, as well as their pleasure, to report, that it is more satisfactory than they had been led to believe before they entered upon their inquiry. No doubt some cases of great abuses and most flagrant frauds have been disclosed by the witnesses examined, but in general these consisted of an open violation of all law, more akin to swindling than to regular trade, and such as it would be difficult for any Legislature to prevent, so long as private persons exercise so little precaution in the conduct of their own affairs. But while the Committee are enabled to speak in these satisfactory terms of existing offices, so far as the evidence has gone, their attention has been called to the great facilities which exist under the present state of the law, for Insurance Companies, in common with others, being brought into existence with no reasonable prospect of, or guarantee for success, and not unfrequently without any *bonâ fide* intention of transacting business. It appears by a return made to Your Committee from the office of the Registrar, that since the passing of the Act in 1844, no fewer than 311 Insurance Companies have been provisionally registered, of which only 140 were completely registered, and of which only 96 continue to exist at this time. And while Your Committee have reason to believe that many of the companies which have ceased to exist during that period, have been absorbed in other companies by whom their business has been taken over, yet at the same time they have no doubt that considerable traffic has been carried on in the mere creation of companies which never had any real prospect of a *bonâ fide* existence.

"So far then as regards the present state of the law, as established by the Act of 1844, it appears to be a very general, if not a universal opinion, that it requires some amendment, and in which Your Committee fully concur. They are deeply impressed with the opinion, that as the law now stands, it does either too much or too little; too much, inasmuch as any legislative enactments professing to protect the public in such matters, have a certain tendency to weaken and impair that individual vigilance which would be more surely exercised, if no such attempt was made; and too little, inasmuch as the securities which the law provides are ill calculated to effect the object at which they aim. On the part of all the witnesses examined, Your Committee found a laudable desire to improve the existing defects in the law, differing, no doubt widely, in their views, as to the best mode of accomplishing that object. On the part of the old offices of extensive business, the witnesses who more particularly represented them, expressed their desire to be placed under one general rule, to make such annual returns, and to afford such other tests as could be given without an undue interference with their business, for the purpose of securing one safe and uniform system, by which a reasonable security may be afforded for the respectability and solvency of Insurance Companies.

"In approaching the question of what alterations in the present state of the law Your Committee are prepared to recommend, they feel that it is one which is surrounded by great difficulties. The two distinct principles in respect to subjects of this nature, viz., that of interference by the Government for the protection of the public, and that of no interference whatever, have been very fully and ably discussed by the witnesses examined by Your Committee. On the one hand, even admitting the general

wisdom of the principle of non-interference on the part of the Government in matters of trade, it has been contended that the question of life insurances differs so materially in its general character from ordinary trading transactions, that it may fairly be considered as an exception to that rule. This exceptional treatment has been justified and supported, on the ground that the obligations undertaken by such associations have reference to a very remote and uncertain period; that the object which persons have in view in effecting insurances upon their lives, is generally of so important and solemn a character, the provision for widows and orphans after the death of their natural protectors; that, unlike any ordinary transaction of trade, a contract once entered upon cannot be discharged or abandoned, if doubts of the stability of an office should arise, without a great sacrifice of premiums paid in past years, and the necessity of renewing policies in other offices at very greatly increased rates of premium, owing to the greater age of the assured; and that persons in the present state of uncertainty, which arises from the imperfect knowledge as to the real condition of assurance offices, are thus placed in the anxious and unhappy dilemma of being compelled to persevere in paying premiums from year to year, with some suspicion and doubt as to the ultimate utility of doing so, or of incurring the serious loss adverted to, which under the most favourable circumstances must attend the abandonment or sale of a policy, and the discontinuance of the payments of fresh premiums. On these considerations, as a special case, it has been contended by different witnesses of great experience, that interference on the part of the Government is not only justifiable, but a matter of high duty, for the protection and information of the public.

"On the other hand, it has been contended, with equal ability, that insurance business forms no exception to ordinary trade in these respects; that the Acts which have already been passed with a view of controlling the operations of those societies have been rather hurtful than beneficial for the very objects they had in view; that an apparent compliance with the provisions of an Act of Parliament and a certificate of complete registration, while they have proved entirely ineffectual for their professed objects, and no real security to the public, have afforded facilities, under the sanction of Parliamentary authority, embodied in regulations administered by a public department, for the formation of companies and the perpetration of frauds which could not otherwise have been accomplished. And it has been further contended that it is impossible to make such regulations, consistent with the free development of private enterprise, which, so far as the public is concerned, will not prove more prejudicial by lulling private prudence and vigilance, than beneficial in respect to any increased security which they can confer.

"Much difference of opinion has been expressed by the different witnesses favourable to the former of the two principles last alluded to, as to the extent to which Government interference should take place; some have contended, not only for an enactment which should more strictly regulate the circumstances under which insurance companies can be formed, but also for the appointment of Government actuaries, under a department of the State, who should have a direct supervision of the proceedings of all insurance companies; while the generality of witnesses favourable to some regulations have confined themselves to much narrower limits, and have contended only for such precautions as should test the *bona fides* of new companies, and as should from time to time afford a fair amount of information with respect to the condition of such companies, relying upon the good faith of the directors and actuaries of the companies for the accuracy of the information furnished.

"In venturing to express the views which Your Committee have been led to entertain as to the course which Parliament should pursue in future in regard to this subject, they will divide it into five heads:

"1. As to the mode in which it is desirable to deal with the present Joint Stock Companies' Act, so far as relates to Insurance Companies.

"2. As to the Registrar's office and duties.

"3. As to the registration of existing offices.

"4. As to precautions which it seems desirable to take in order to test the *bona fides* of new associations, and to entitle them to complete registration.

"5. As to the securities which can be afforded to the public by the publication of periodical accounts.

"Your Committee will now proceed to remark on each of these points separately.

"1. Your Committee is of opinion that the business of assurance companies differs so much from ordinary business, that it is difficult to render one Act of Parliament well adapted for both; and they are, therefore, of opinion that it will be advisable to repeal all the provisions of the Joint Stock Companies' Act so far as relates to assurance societies, and to pass a new Act having reference to this subject only.

"2. Your Committee have already adverted to the insufficient power which the existing Act confers upon the Registrar of Joint Stock Companies to give effect to the provisions of the law. Your Committee are of opinion that whatever duties may be intrusted to that officer under any Act to be passed, it is essential that adequate powers should be provided to enable that officer, either by himself, or through one of the departments of the State, to enforce any regulations that Parliament may think it wise to enact. Experience has proved that without such powers, regulations become a dead letter, and are only calculated to mislead by the apparent sanction which they give to proceedings not in reality controlled by them.

"3. Your

"3. Your Committee, in a former part of this Report, have alluded to the inconvenience which has arisen from the fact that a portion of the existing assurance offices are registered under the Act of 1844, and a portion not. Your Committee cannot hide from themselves that the effect of this distinction has been to lead to controversies between the "old offices" (established prior to 1844), and the "new offices" (established since the passing of the Act of that year); which controversies Your Committee are of opinion have been prejudicial to the best interests of the public. Your Committee are, therefore, of opinion that it would be highly beneficial to all parties if all companies, both those existing and that may in future be formed, could be brought under one general system of registration. In accomplishing this, Your Committee would recommend that the requirements for registration, as regards existing companies, should be as simple as possible, but that whatever periodical returns may be deemed necessary, should be the same as regards all companies whatever.

"With regard to mutual assurance companies, and others, where the claims of the assured are confined to the funds of the society, and where no personal liability attaches, Your Committee are of opinion that the requirement of the law that the members of such societies should be registered in the Registrar's Office, is of no real utility to the public or the assured, while it is both expensive and troublesome.

"4. Your Committee feel that perhaps the most important part of their duty, is that which refers to the precautions which are now taken, and which should be hereafter taken with regard to the formation of new companies. On the one hand, Your Committee feel that the ground occupied by these useful institutions is comparatively limited, and that their application is capable of a great extension not only in the higher and middle classes of society, but also among the humbler classes, to whom it has recently very considerably extended; and that it is therefore very important that no check or impediment should be placed in the way of the further extension of this enterprise, not absolutely needful for the security of the public. On the other hand, the Committee are of opinion that in the interest of the companies themselves, as well as in that of the public, it is desirable to interpose such checks as will give a reasonable guarantee as to the *bonâ fide* intentions of the promoters of such companies. To this extent only the Committee are of opinion that any interference at this stage is desirable. With this view, in addition to such regulations as may be considered needful for the purposes of registration, the Committee are of opinion that no new company shall be admitted to complete registration until a capital shall have been subscribed, and actually paid up, of at least 10,000 *l.*, and which shall be invested in the public funds, under such regulations as Parliament may deem fit to enact; to be considered in the double light of a test of *bonâ fide* intentions on the part of the promoters, and of a security for the liabilities of the company at its early stage of existence.

"5. No part of the subject submitted to Your Committee has received more attention than that of the publication of periodical accounts. Hitherto those accounts, as published, have been of a most unsatisfactory character. Your Committee have carefully considered whether it would be practicable to prescribe such a form of account as would accomplish the objects of the Legislature; but after the most careful consideration, they have been unable to discover any means by which this end can be accomplished, and they are led to the conclusion that no fixed form could be made applicable to all cases, and would be exposed to so much evasion as to afford, practically, no real security.

"Your Committee are therefore disposed to recommend that it shall be made imperative upon each company to make a complete investigation into their affairs at least once in five years, as is usually prescribed by their deed of settlement, and at such times so prescribed, which shall show a complete valuation of their risks and liabilities, and of their assets to meet the same, and that such valuation accounts which may be made for the information and use of their proprietors, shareholders, or members, shall be registered in the office of the Registrar of Joint Stock Companies; and that in each intermediate year, between such periodical balance-sheets or valuations, there shall be registered a statement containing the following particulars:

"1. The amount of receipts during the year for premiums on policies.

"2. The amount of expenses during the year.

"3. The number and amount of new policies issued.

"4. The total number and amount of liabilities on all current policies.

"5. The total amount of premiums receivable on the same.

"6. The whole amount of capital; distinguishing the manner in which invested.

"How much in cash.
"How much in Government securities.
"How much in mortgage upon real estate.
"How much in other securities; specifying their nature.
"The average rate of interest received upon the whole investments.
"The amount of such investment, if any, on which the payment of interest is in arrears.

"7. The table of mortality, and the rate of interest used in calculating the premiums.

"The evidence which Your Committee has obtained, leads them to believe that some such general statement would be of much greater utility in enabling the public to come to a correct judgment as to the condition of an office, than any form of account that could be adopted. In addition to the above, in the case of proprietary companies, the amount of subscribed capital should be stated, and also the amount actually paid up, and how invested.

"It has been brought to the attention of Your Committee, that the business of assurance offices is becoming every year of a more varied character.

"This Your Committee regard as the necessary result of the advancement of the science on which it is based; but there is a class of business which some offices have undertaken, and which appears to Your Committee inconsistent with that of life assurance, viz., that of receiving deposits of money at interest.

"Your Committee will conclude their Report by calling attention to a part of the evidence which advocates the formation of an incorporated society of actuaries, with a view to the advancement of that important science, and also with a view to issue diplomas or certificates to persons qualified to practice as actuaries. If any effort should be made to induce Parliament to grant such an incorporation, the Committee are of opinion that it will at least be worthy of consideration, and perhaps of further investigation. In the meantime, considerable difference of opinion prevails on the subject among actuaries themselves."

Proposed Report read 2°, and considered, paragraph by paragraph.

[Adjourned to To-morrow, at Half-past Eleven o'clock.

Martis, 16° *die Augustii*, 1853.

MEMBERS PRESENT:

Mr. WILSON, in the Chair.

Mr. Freshfield.	Mr. Chambers.
Mr. Hamilton.	Mr. Sotheron.

Draft Report further considered; several amendments made; paragraph 12 in page 6 read, and amended.

Question put, "That this paragraph, as amended, stand part of the proposed Report." Committee divided:

Ayes, 3.	No, 1.
Mr. Freshfield.	Mr. Chambers.
Mr. Hamilton.	
Mr. Sotherton.	

Other amendments made in the Draft Report.

Question, "That this be the Report of the Committee," put, and agreed to.

Ordered to Report, together with the Minutes of Evidence.

MINUTES OF EVIDENCE.

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Mr. George Taylor - - p. 22

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John Tidd Pratt, Esq. - - p. 43

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Jovis, 5° *die Maii*, 1853.
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Lunæ, 20° *die Junii*, 1853.
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Jovis, 23° *die Junii*, 1853.
Mr. Edward Ryley - - p. 243
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MINUTES OF EVIDENCE.

Jovis, 7° die Aprilis, 1853.

MEMBERS PRESENT.

Mr. Wilson.
Mr. Hamilton.
Mr. Sotheron.
Mr. Cowan.
Mr. Henley.
Mr. Mullings.
Mr. Matthew Forster.
Mr. Glyn.
Mr. Danby Seymour.
Mr. Thomas Chambers.
Mr. John Ball.

JAMES WILSON, Esq., IN THE CHAIR.

Francis Whitmarsh, Esq., called in; and Examined.

F. Whitmarsh, Esq.
7 April 1853.

1. *Chairman.*] WILL you tell the Committee what office you hold?—Registrar of Joint-stock Companies, to which I was appointed in June 1846.

2. Under what Act is the appointment?—7 & 8 Vict., c. 110.

3. In what year was that Act passed?—In 1844; it came into operation in November 1844.

4. You were not the first registrar appointed?—No, Mr. Rogers was; and he was afterwards appointed one of the Emigration Commissioners, I think.

5. You succeeded Mr. Rogers?—I succeeded him.

6. Now can you inform the Committee what were the leading provisions of that Act, so far as regards your own office?—The object of it of course was the general registration of companies of every description. It is described in the Act as "Assurance Companies, and Companies for the purpose of carrying on Trade and Profit."

7. Can you tell the Committee what provisions the Act contained which were to be carried out in your office; that is, what it was incumbent upon companies to do?—Yes, certainly; in the first place, no person was permitted to deal in shares or establish a company without being provisionally registered, and that was to be by one or more promoters of the company; persons who were called promoters.

8. Do you mean that no company was to be established without being provisionally registered?—Without being provisionally registered; neither established, nor to issue any prospectus, or to take any steps to show themselves to be a joint-stock company, until provisionally registered; and the Act of Parliament particularly specifies what they might do upon provisional registration.

9. What steps were necessary for that provisional registration?—The parties who were the promoters were to fill up a document, which had been provided under the directions of the Board of Trade, specifying the name of the party, the address, and the object of the company; upon which a fee of 5*l.* was ordered to be paid by the Act of Parliament.

10. When you say the "parties," do you mean the person applying, or the persons applying?—The person or persons applying who appeared in the matter as the promoter or the promoters.

T. Whitmarsh, Esq.

7 April 1853.

11. Is there any limit as to the number?—No, one or more. Sometimes I have 20 promoters, and sometimes only one.

12. Was there anything else for them to do besides paying that 5 *l.* and filling up the document which you gave?—They were to make certain returns to the office of the names of the promoters of the company, and the objects of the company, and the amount intended to form the capital of the company. Those returns ought to be made, and the names of those who were appointed provisional directors or managers of the company until complete registration.

13. Did it provide for any amount of paid up capital in the first instance?—No.

14. There was no provision of that kind?—No provision of that kind. The amount of capital was perfectly optional with the company.

15. You had, in fact, no restriction upon provisional registration, except that the names of the parties promoting the company should be given with their address, with the amount of capital which they intended to employ, and the purposes for which they intended to employ it?—Yes, it was merely that.

16. That was the whole object of provisional registration?—That was the whole object of provisional registration. Until provisional registration they were not permitted to take any steps for the issue of shares or scrip, or anything of that description.

17. Were they permitted, under provisional registration, to issue prospectuses, and receive applications for shares with deposits?—If they registered them at the Registrar's Office. They were not permitted to do it until they were registered at the office, and had sent a copy of the prospectuses to the office; but that was afterwards done away with. It was considered rather burdensome, because there were perpetual alterations in the prospectuses and advertisements. They ought, under the Act, originally to have been registered.

18. By what authority was that practice discontinued?—Under the authority of the next Act that passed; an Act for the amendment of that former Act, namely, the 10 & 11 Victoria.

19. When you had not a prospectus, what guarantee had you that the company purported to be for the same objects, and was the same in every respect as was represented to you on provisional registration?—No guarantee beyond the statement as appearing upon the registration.

20. Then there might be in the prospectus issued to the public, and the statement given to you, a considerable discrepancy, without your having any means of discovering it?—Only this check, that they were to make a return "to the office for the registration of joint-stock companies, a copy of every prospectus or circular, or handbill, or advertisement, or other such document, at any time addressed to the public, or to the subscribers or others, relative to the formation or modification of such company." I have no guarantee beyond their registration of any prospectus or circular or advertisement.

21. Then when you ceased to receive those prospectuses, you ceased to have that check to which you have just referred?—Certainly, to that extent.

22. My question had reference to the state of things after you ceased to receive those prospectuses?—They, in fact, issued what they liked, and I had no means of controlling them, or knowing what they contained.

23. Nor of knowing whether the prospectuses presented to the public corresponded with what was presented to you?—Certainly; and I have found, with regard to the prospectuses, that the prospectus deviated extremely from the original intention of the company; and I have had occasion to write, and call attention to the fact.

24. You found that it differed, as compared with the representations made to you upon the provisional registration?—Upon the provisional registration, and from the real objects of the company. I am speaking now generally, without giving any instances, because I suppose you will take it upon the good faith of my statement.

25. Is that state of things remaining to the present day?—Yes; that state of things is remaining to the present day.

26. Then, in fact, at the present moment a company may be provisionally registered in your office, and it may issue prospectuses to the public differing materially from the professions under which it was registered, without your necessarily knowing that there is any difference?—Certainly they might; I have no check upon them.

27. What is the next step that a company has to take after that provisional registration?—

registration?—The next step they ought to take would be to prepare for complete registration.

28. What do they do for that?—They send in a copy of the deed that they intend to be incorporated under.

29. The deed of settlement?—The deed of settlement; they send in a copy for my perusal. No deed can be registered without my having perused it first; and I must see that it is in every respect, according to the best of my judgment, conformable to the Act; and when that is done, they are entitled to have complete registration, whether I will or not. The Act says, "The registration shall then be completed."

30. If they comply with the provisions of the Act, you have no choice whether you will register or not?—Certainly.

31. Will you tell the Committee what are the necessary stipulations in the contract, in order to receive your assent?—They are specified in the 7th Clause of the Act: "No joint-stock company shall be entitled to receive a certificate of complete registration, unless it be formed by some deed or writing under the hands and seals of the shareholders therein, and in or by such deed there must be appointed not less than three directors, and also one or more auditors; and such deed must set forth in a schedule thereto, in a tabular manner, according to the order hereinafter mentioned, the following particulars; that is to say, (1.) The name of the company; and also (2.) The business or purpose of the company; and also (3.) The principal or only place for carrying on such business, and every branch office (if any); and also (4.) The amount of the proposed capital, and of any proposed additional capital, and the means by which it is to be raised, and where the capital shall not be money, or shall not consist entirely of money, then the nature of such capital and the value thereof shall be stated; and also (5.) The amount of money (if any) to be raised, or authorised to be raised by loan; and also (6.) The total amount of the capital subscribed or proposed to be subscribed at the date of such deed; and also (7.) The division of the capital (if any) into equal shares and the total number of such shares, each of which is to be distinguished by a separate number in a regular series; and also (8.) The names and occupations, and (except bodies politic) the place of residence of all the then subscribers, according to the information possessed by the officers of the company in respect of such names and occupations and places of residence; and also (9.) The number of the shares which each subscriber holds, and the distinctive numbers thereof, distinguishing the numbers of the shares on which the deposit has been paid from those on which it has not been paid; and also (10.) The names of the then directors of the company, and of the then trustees of the company (if any), and of the then auditors of the company, together with their respective places of business (if any), occupations, and places of residence; and also (11.) The duration of the company, and the mode or condition of its dissolution." Then it says, "And that such deed must contain a covenant on the part of every shareholder with a trustee on the part of the company, to pay up the amount of the instalments on the shares taken by such shareholder, and to perform the several engagements in the deed contained on the part of the shareholders, and that such deed must also make provision for such of the purposes set forth in Schedule (A.) to this Act annexed," which is rather a long Schedule, "as the nature and business of the company may require, and either with or without provision for such other purposes (not inconsistent with law) as the parties to such deeds shall think proper." So that you see that throws a great discretion on me. I must take care that there is nothing inserted in the deed inconsistent with the law, consequently I am obliged to look to the general law of the land. "And that every such deed of settlement must be signed by at least one-fourth in number of the persons who at the date of the deed have become subscribers, and who shall hold at least one-fourth of the maximum number of shares in the capital of the company, and that every such deed must be certified by two directors of the company by writing endorsed thereon, in the form contained in the Schedule (B.) to this Act annexed; and that on the production of such deed, setting forth such matters and making such provisions as are hereby required to be provided for, and being so signed and certified, together with a complete abstract or index thereof, to be previously approved by the registrar of joint-stock companies, and also a copy of such deed, for the purpose of registering the same, or as soon after such production as conveniently may be, the registrar of joint-stock companies shall

F. Whitmarsh, Esq.
7 April 1853.

grant a certificate of complete registration, according to the provisions of this Act in that behalf." So that you see it is imperative upon the registrar to do that, "and unless such deed and other matters be so produced, and such conditions be so performed, it shall not be lawful for him to grant such certificate; and that after such certificate shall be granted, it shall be taken as evidence of the proper provisions being inserted in such deed." Then there is a power for me to call, if I see anything defective in the original deed, for a supplementary deed to supply that deficiency according to the terms of the Act.

32. You have no discretion whatever under that Act of Parliament, those things being done?—Except to see that everything is done according to the law, according to the best of my judgment. Then they are entitled to have the registration.

33. Then you require that the deed shall be signed by one-fourth of the professed subscribers?—Yes.

34. And one-fourth of the professed capital?—Yes, and one-fourth of the professed capital, and one-fourth of the maximum shares.

35. Is there any provision as to any portion of the capital being paid up at the moment?—There is none.

36. There is no provision for any portion of the capital whatever being paid up?—None.

37. Not at the moment of complete registration?—No.

38. Is there any provision which renders it necessary within a limited time to pay the whole or any part of the capital?—No; it is according to the terms of the deed of settlement.

39. Then by law the granting of the deed is not dependent upon any capital being paid up at the time the deed is granted, or within any specific period after the deed is granted?—No; it is according to the regulation of the proposed company itself.

40. But the Act provides no stipulation of that kind as a thing to be done before complete registration?—Certainly not.

41. What power have you to enforce the performance of the provisions of the deed?—I have no power, except to see that, according to the best of my judgment, the deed is according to the terms of the Act.

42. But when registration is completed, have you any power whatever to enforce the performance of those conditions upon which you have granted the complete registration?—I have no power whatever; I am merely ministerial.

43. Does any power of that kind lie anywhere?—I believe not; there are certain penalties for not making certain returns.

44. Have you any means of enforcing those penalties?—None.

45. Has any other person any means of enforcing them?—Any public informer might do it.

46. In a common court of law?—Yes.

47. As a mere breach of an ordinary Act of Parliament?—As a mere breach of an ordinary Act of Parliament. I have often felt myself bound to call upon parties to make returns; but that has been a mere *brutum fulmen*, and I have threatened to report it to the Attorney-general, but I have no power in the matter.

48. The only power you have is to threaten, and if you were to carry your threat out, you could do nothing effective against the parties?—I could do nothing effective against the parties.

49. Unless you became a common informer in a court of law?—Yes.

50. Is there any provision in that Act of Parliament for furnishing to your office any accounts of the proceedings of the company after they are formed by complete registration?—They are to make returns of their balance sheets.

51. Annually?—Annually.

52. Is that the only return that they have to make to your office?—That is the only return they have to make to my office, except in case of a change in the directors; when directors are changed, it is appointed that so many are to retire every year; one-third of the number.

53. Is that a universal rule?—A universal rule.

54. And are they always capable of being re-elected?—Yes; they are always capable of being re-elected.

55. They have the power of being re-elected, unless it is otherwise provided by the deed?—Unless it is otherwise provided by the deed. The Act of Parliament

Parliament is imperative that one-third shall retire, but they may be re-elected.

56. The Act is imperative that one-third shall retire, but it is not imperative, I understand, that those retiring may not be re-elected?—Certainly.

57. That is a provision in the deed?—Yes.

58. They may, or may not, according as the deed provides?—Undoubtedly.

59. Then after the complete registration takes place, the only communication that you have with those companies, or the only cognisance you have of their proceedings is, that you are informed from time to time of a change in the directors?—Yes; I am informed from time to time of a change in the directors and auditors.

60. Must every change be communicated to you?—They ought to make the returns that they may be put upon the record.

61. Is every change of proprietors communicated?—All the proprietors or subscribers are registered, and must be registered before their shares are complete.

62. The question is, if any change takes place in the holding of those shares, whether any communication of that is made to you?—They ought to be returned, and they must be according to the Act of Parliament, and should be registered.

63. Every change of proprietorship?—Yes, every change of proprietorship.

64. Is that condition of the Act complied with?—I think it must be complied with; because, generally speaking, the parties would have no title to their shares without their being registered.

65. Registered in your office?—Registered in my office; they return the names of the parties being shareholders.

66. You say that the Act of Parliament makes it compulsory to return you annually the balance-sheets; are they always returned by all the companies registered?—No.

67. Is there a large portion of them do not?—A large portion of them do not.

68. Have you any means of compelling those who omit to make the return to do so?—I have nothing to do but to write to them, if necessary, and trust to their doing so. I have no power of compelling them to do it.

69. You have no power whatever to compel them to make those returns?—No.

70. When those returns come to you, are they usually in a form which would enable you or any other person to come to a pretty clear understanding of the condition of the companies?—They return me their balance-sheets, and perhaps, taken altogether, a more unexplainable thing can hardly be than the balance-sheets returned.

71. Is there any uniform form in which the accounts come?—No; I have no means of saying that they shall return them in any general form.

72. If there is anything you do not understand, have you any means of getting an explanation of it?—I would beg to refer the Committee to a return which I made to an Order of the House of Commons, of all the Assurance Companies, with a copy of every account registered by companies, conformably with the provisions of the Act, since the 20th of April 1849. I have the returns here, and Honourable Members could be furnished with them; and by looking at those balance-sheets, they will see the confusion of the whole statement; and it is in such a state, I do not suppose that one person in 500 could understand any one of those balance-sheets as they are made up.

73. And have you no means of calling for them in a more satisfactory form?—I have no means of doing it; and I believe I am warranted in saying, that oftentimes those balance-sheets are manufactured for the very purpose of the return, one side for the public, the other for themselves; and if this return, which was made to the House of Commons in February 1852, be referred to, you will see the balance-sheets of all the companies from the time I have mentioned, namely, 1849, and you will see the nature of those balance-sheets; a more unsatisfactory thing can hardly be.

74. Then, for any practical utility, do you consider them worth anything?—I consider those returns worth nothing; what they might be made by Government is another thing.

75. As they are at present, are they rather calculated to mislead than to inform?—I should say they are calculated to mislead.

76. Then what you have told the Committee includes the whole amount of the power and control which you at present have with regard to those com-

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panies under this Act?—I have no power or control under that Act but to call upon the parties to do it, and threaten them with reporting them to the Attorney-general, and that is a mere *brutum fulmen*; I have no power to do it; I cannot insist upon it beyond that. I cannot be expected to become public prosecutor.

77. Then are you led to the conclusion, that so far as the provisions of that Act of Parliament are concerned, the object of the Act is not accomplished on behalf of the public?—It is very much evaded.

78. Mr. *Glyn*.] You have no power of checking the balance-sheets?—No.

79. And if you suspected fraud there is no power in your office to ask for further information that might elucidate that?—No power.

80. *Chairman*.] Can you furnish us with the entire number of companies that have applied to you for provisional registration since that Act was passed?—Since the Act was passed in 1844 up to the 17th March 1853, mutual assurance companies provisionally registered, 49; completely registered, 27. So that there were 22 that never went any further than provisional registration. Other assurance companies, not mutual, provisionally registered, 244; completely registered, 101. Then I have taken the assurance companies of every kind, provisionally registered, 293; completely regitsered, 128; which leaves about 165 that have never gone further than provisional registration.

81. That is during the whole period since the Act came into operation?—Up to March 1853.

82. Does your account show the facts from year to year?—Yes; I have them.

83. Will you put that table in?—I will.

[*The same was handed in, and is as follows:*]

DATE.	Mutual Assurance Companies Provisionally Registered.	Mutual Assurance Companies Completely Registered.	Assurance Companies, other than Mutual, Provisionally Registered.	Assurance Companies, other than Mutual, Completely Registered.	Total Assurance Companies Provisionally Registered.	Total Assurance Companies Completely Registered.
1844 - - -	- none -	- none -	4	1	4	1
1845 - - -	6	4	42	17	48	21
1846 - - -	4	3	20	8	24	11
1847 - - -	2	2	24	13	26	15
1848 - - -	6	5	17	10	23	15
1849 - - -	9	4	31	14	40	18
1850 - - -	3	1	25	10	28	11
1851 - - -	7	6	30	12	37	18
1852 - - -	12	2	44	15	56	17
1853 - - -	- none -	- none -	7	1	7	1
Total from 1 November 1844 to 17 March 1853 - - -	49	27	244	101	293	128

Mutual Assurance Companies, Provisionally Registered to this date - - - - 49
Ditto - - ditto - - Completely Registered to this date - - - - 27

Assurance Companies, other than Mutual, Provisionally Registered to this date - - 244
Ditto - - - ditto - - - Completely Registered to this date - - 101

Assurance Companies of every kind, Provisionally Registered to this date - - - 293
Ditto - - - ditto - - - Completely Registered to this date - - - 128

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84. Will you state what the last year was?—In 1852 there were 56 assurance companies provisionally registered, and 17 completely registered; but some of those provisionally registered in 1852 might be coming on, because they are sometimes as much as 12 months, or more, before they come to complete registration. The total assurance companies provisionally registered are, as I have said, 293, and the total assurance companies completely registered, 128, which leaves 165 that were provisionally projected, and never completely registered.

85. Mr. *Forster.*] You would infer that those which have not been completely registered have been speculative attempts to get up life assurance companies?—Yes, attempts to get up life assurance companies; and I should state that assurance companies are principally set on foot by persons who stand in the position of either actuary, or solicitor, or secretary, or aspiring to the office.

86. *Chairman.*] That applies equally to all joint-stock companies?—To all joint-stock companies, but more particularly to the actuaries of assurance companies.

87. You have referred to two classes of assurance offices, viz., mutual and proprietary. When you examine the deed of the Mutual Assurance Office, is it your duty to consider the conditions upon which the deed is framed, so far as regards the mutual responsibility of the partners?—No, that is according to their own stipulation; but it is a very sad state of things, that when a mutual assurance company is established there is no fund whatever to answer any loss that may arise.

88. There is no deposit of capital made at all?—No, no deposit; there is no capital; the capital is the actual premiums paid for the mutual assurance of each other; by law there is no power of compelling payment of capital.

89. In perusing the deeds of the mutual assurance societies which have been presented to you, have you observed whether the principle of mutual risk is always preserved, or have you observed that of late a great number of those offices have guaranteed their partners against any loss beyond some nominal amount of capital which is supposed to be subscribed?—There are some who have lately found it necessary to have a guarantee fund.

90. That is not my question; the question I put is this: The principle of a mutual assurance office I understand to be this; that all who are connected with that society mutually assure each other, and that if there should be a deficiency of funds to pay premiums, that the whole of the partners of that mutual company would be liable to each other to make up the amount. Have you discovered, in recent deeds, any provisions limiting the liability of the partners, and the responsibility of the company?—Yes, I have discovered this; that clauses have been introduced into the deeds limiting the claims of any parties, under a mutual assurance company, to such an amount of fund as shall actually be in hand at the time of such loss occurring.

91. So that in that case, under no circumstances would the assured have any guarantee beyond the premiums which have been accumulated?—Certainly not. I would wish to state one circumstance that has occurred to me. The name of the company I have not been able to find: there was a mutual assurance company, wherein there was a stipulation that no claim should be made upon the company by any of the mutually assured members beyond the amount actually in hand at the time that the loss occurred. I saw the balance-sheet of the company, and I found that there were above 300,000 *l.* of risk incurred by the company; the balance in hand, according to the balance-sheets, whether true or false I do not know, was only about 700 *l.*, and by the stipulation in the deed the company were not to be liable beyond that account of 700 *l.*, which was actually in hand, whatever the loss might be; so that, in fact, the subscribers to that company had been subscribing so much in premiums every year, and if a loss had occurred of 100,000 *l.* there were only 700 *l.* to have paid it with.

92. Has your attention been called, in these accounts which has been laid before you, to the proportion of preliminary expenses which has been incurred in getting up those companies?—It has been called to that, because it appeared to me very curious, certainly, that the expenses oftentimes were so very heavy. If you will refer to the return that I made to the House of Commons, of all the assurance companies that were registered, and their balance-sheets, you will see all the expenses that the parties have charged for the establishment of the office, and you will find that the expense is very considerable and very heavy. It is difficult to fix upon any one.

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93. Mr. *Hamilton.*] Supposing a deed to be sent to you, and that you observed it to be failing in any of the provisions requisite, according to your view, to ensure its objects being properly carried out, do you feel it is competent to you to require the company to amend the deed in that particular?—Certainly. I alter it myself; I peruse the deed the same as if I were a counsel in chambers, sitting down to do it; and if I find anything left out that ought to be inserted according to the terms of the Act of Parliament, I take care and insert it myself in red ink.

94. Supposing it happened that there was not a special provision made for limiting the expenses of the management to the income, would you consider that a subject you would call attention to before you certified the deed?—I have no power to interfere in that respect except in this way, which I should beg leave to say oftentimes occurs: In a deed provision is made with respect to the parties who set the company afloat; take for instance, in the case of an assurance company, the intended actuary, the intended secretary, the intended solicitor, and sometimes other officers, provision is made for giving them remuneration and standing salaries, all of which I strike out. I consider that it was never the intention of the Legislature that a company should be formed for the particular object of one, or two, or three people, and to give them an establishment in a company; and oftentimes they say they are to be not removable. I can give an instance of one which is a matter of very great curiosity: There was a company established wherein the promoter of the company had provided that he was to be appointed manager of the company, and he was to receive a salary of about 600*l.* or 700*l.* a year, I think it was, and a per-centage upon all the profits of the company; and that he was to be irremovable. And further; that if he thought proper to retire he was to have the option of nominating his successor as the manager of the company, and that in the event of his death leaving a widow, his widow was to have an annuity out of the company, and going on in that way.

95. How did you deal with that deed?—I struck it all out; it was contrary to the intention of the Act of Parliament. I have often very strong contentions with parties, and have strong language made use of to me because I have felt it my duty, as a public officer, to strike out all things of that description exacting emoluments to individuals, when it ought to be the result of a resolution of the shareholders.

96. Take the case of a deed for a mutual assurance company, containing a covenant that appeared to defeat the very object of a mutual assurance company, how would you deal with that deed; would you feel it right to strike out such a covenant?—I always strike out anything giving salaries or remuneration to any parties to the deed; I should strike out that covenant.

97. *Chairman.*] Referring to a previous question, the answer to which does not seem quite consistent with the answer you have now given, I asked you whether companies professing to be established on the mutual principle have not been established of late, in which there was a provision that the assurers were to be understood not to be liable beyond the funds that were actually in possession at the time the loss to be made good had been incurred; is that so?—Yes, there have been.

98. Is not that inconsistent with the principle of mutual assurance?—It is a very difficult question. There is no contribution called for; the members, according to the mutual assurance principle, mutually assure each other; but where they limit it by a clause of that description, I do not know that I have any discretion in that case.

99. You do not consider your discretion extends to a case of that kind?—I consider my discretion does not extend to a case of that kind, because the parties mutually assuring each other have a right to put their own construction upon the mutuality.

100. Do you not consider that mutual assurance necessarily involves the principle of mutual liability for the obligations which they enter into with each other, and whether those obligations are assurances for life, or assurances against fire, that upon a loss being incurred in the one or the other, the parties are all liable to each other to make good that loss?—I should think they ought to do that, but I do not know that I have any power in the matter. I have a very strong contest at times with the parties; they come, attended by counsel, and argue cases very strenuously.

101. Mr. *Glyn.*] Then you hold that the parties may regulate themselves under their own deeds?—Yes, if it is not inconsistent with the law.

102. Mr. *Hamilton.*] Supposing on the face of a deed there was a clause manifestly inconsistent with the object of the deed, in that case how should you deal with it?—I should strike it out, and then run the chance of perhaps having a mandamus applied for to the Court of Queen's Bench.

103. You consider that your duties are not merely ministerial so far as regards the registering of deeds that are presented to you, provided they are in point of form in accordance to law, but that you have a general discretion in the examination of those deeds to see how far they are calculated to accomplish the objects they profess to have in view?—Yes, and I have had three or four cases of mandamus moved for against me, and I have succeeded on each of them wherein they have attempted to argue that I had nothing but a ministerial power, that I was bound to register anything they thought proper to put into the deed.

104. As regards the application for provisional registration, how far do you conceive your functions in that respect are ministerial, or how far do you consider that you have any power of making further inquiries, or exercising any discretion beyond receiving the information that parties think proper to give you?—I think I have no discretionary power on provisional registration beyond seeing that that provisional registration is in accordance with the terms of the Act. Sometimes the parties have introduced provisions for the business of the company to be, such as the purchase of land, for instance, for general purposes; I say that is contrary to the statute of mortmain; then I do not permit anything to be inserted inconsistent with law, and if the statute of mortmain says that a corporation shall not hold land except under license of the Crown, or by Act of Parliament, it is inconsistent for me to allow such a clause to be inserted, or a company to be established for such a purpose, and therefore I decline to do it.

105. Except so far as may appear to you to be inconsistent with law, you consider your office merely ministerial as regards provisional registration?—Yes, certainly.

106. The 18th clause of the Act provides that all parties may inspect any returns or papers which are transmitted to your office?—Yes.

107. Is that clause frequently acted upon?—Very frequently; the examinations at the office are numerous, many parties paying 1*s.* and coming to examine.

108. All parties, whether shareholders or not, have the power of inspecting the returns in your office?—The public generally have only to come and pay 1*s.*, and they may inspect the registration and the names of the companies, without paying the fee; but if they want to see any of the records of the company, they pay 1*s.* and have an opportunity of seeing them, and they may have an office copy of them, if they desire it.

109. The balance-sheets you have referred to as being so delusive, are they frequently made the subject of examination in your office?—I can hardly say what they go to examine; they have the portfolio; but I would refer the Committee to the return I made with regard to the balance-sheets, from the date of the 1st of January 1848, up to the present time; and Honourable Members will have an opportunity of judging themselves as to what those balance-sheets are. It will be seen what they are; that they are scarcely intelligible to the generality of men; indeed I know they have been manufactured by the admission of, at least, one person. I speak now as a matter of fact; the name of the company I cannot give.

110. Mr. *Glyn.*] That was a fire insurance company, I think you said?—No; but an assurance company, I believe.

111. You have spoken of a limitation in a deed as to the payment of money; that was a fire insurance?—Yes.

112. Then there might have been the same limitation with respect to life assurance companies in their deeds?—No; I do not permit it. Mutual insurance is a different thing to proprietary; where A, B, and C are the parties who are proprietors in the company, and E E comes to them and enters into a contract with them, E E there stands in a different position.

113. You consider them in the light of partners?—Yes, partners.

114. *Chairman.*] That is a little inconsistent with what you said before. Do I understand you to say, that if on the presentation of a deed by a mutual assurance society, you discovered there was a clause limiting the risk of the individual assurers to the sum which happened to be in hand at the moment

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the loss was incurred, that you would allow that deed to pass with that provision, and not consider it inconsistent with the objects of the company?—I should do so, because they were each mutually assuring the other. It is not like a proprietary company, where A and B enter into a contract with C and D, but A, B, C and D enter into a mutual contract to assure each other; I have felt a difficulty about that, but I have thought they had a right to enter into such a special contract.

115. The speciality of the contract destroys the whole professed character of the deed?—It would be better if it was not so, most assuredly.

116. As a matter of fact, those deeds with those provisions have been passed, and companies with those provisions do exist?—They do exist, certainly.

117. What you mean is, that you have only allowed the limitation of risk to the amount of the funds in hand, in the case of mutual offices, and not in the case of proprietary offices?—Certainly; because limiting the liability would be contrary to law.

118. Mr. *Chambers.*] How would it be contrary to law? Is it contrary to law for partners to make any contract of that kind?—This has been decided over and over again, that a partnership cannot limit their own liabilities to their creditors; it must be by special contract between A. B. and C. D.

119. Cannot the parties becoming creditors to the partners become creditors upon terms such as you have mentioned?—By entering into a special contract individually; but it has been decided by the judges in the courts of law, that an attempt to introduce a limited liability in the deed would be of no avail against the creditors of the company.

120. That the provision in the deed would not avail to limit the liability if the contract made by the creditor claiming had contained that condition. Supposing a policy issued by such a company, where a provision of that kind was in the deed, and the policy contained a provision to the effect you have mentioned, that would be perfectly legal?—That would be a special contract between the assurers and the assured.

121. Taking the case of a company whose deed contains a clause limiting the claim upon the funds to the amount in hand at the time the claim falls due, and that being inserted in the policy, all that is perfectly consistent with the law?—If they introduce it by a special contract.

122. *Chairman.*] You only speak now as to deeds, not with regard to policies?—No.

123. Have you any means of knowing the policies?—No.

124. Have you any control over them?—No.

125. And taking the deed alone it would be illegal to make a provision of that kind?—Contrary to the decisions of the courts.

126. It could only be rendered legal by a subsequent Act; you have no control over the issuing of the policies?—Just so.

127. Mr. *Sotheron.*] In the case of a mutual society, you do not think that law applies?—Not so strongly; being mutual they all agree with each other; in fact it is a perfect humbug, using a strong expression, in the outset of a mutual company. Supposing, for instance, there are 50,000 *l.* insured, where is it to come from if a loss occurs when they stipulate that it shall be only paid out of the premiums when they have accumulated?

128. *Chairman.*] That is, where such a stipulation exists?—Yes.

129. Where no such stipulations exist I apprehend that each member of the society would be mutually liable to each other to make up the sum?—I think so; in an action brought, if that was the state of things it would be.

130. Are you not aware there are analogous companies for insuring ships in many of the outports of England?—Yes.

131. And with no existing capital, but that upon a ship being lost the sum is subscribed *pro ratâ* by all the parties assured, that is, by the society, and the loss is made good to the individual partner of the society?—Yes, they are formed upon that principle.

132. Is not that exactly the same principle as any mutual society ought strictly to be?—Yes, except where the stipulation is that they shall only look to the immediate amount in hand.

133. Is not that stipulation utterly inconsistent with the principle of mutual assurance?—It is to me inconsistent, but at the same time I have felt much difficulty upon the subject. If the parties choose to do it, every one of them being

being active partners. It is not as in a proprietary company, but it is every one stipulating with each other; if they have stipulated that as between themselves as a company, I have felt a great difficulty in saying they should not do it, but I know that as regards a proprietary company it would be inconsistent with law.

134. Mr. *Sotheron.*] If any amendment of the law were to take place, would you not desire to place this matter upon a different footing, namely, that anything which is inconsistent with the principle upon which the society is established shall be treated by you, in the case of mutual societies, exactly upon the same footing as you would treat proprietary companies?—I should say as to mutual companies, there ought to be a fund provided in the first instance; because, if there be any stipulation whatever to limit the liability to the amount in hand, which is the case sometimes, as I mentioned before, there is no fund whatever to pay those who lose in the first instance; and therefore there ought to be a guarantee fund provided to answer the amount of any loss that may occur up to a given period. In the course of time premiums would create capital, but until that capital is created there is nothing to answer the claim if there be any stipulation like the one I have adverted to, namely, that the liability of the company shall be only to the extent of the amount in hand at the time of the loss occurring.

135. The mode by which you would suggest that this should be dealt with, is by creating a capital for a mutual company, which in fact, to a certain extent, is contrary to the whole mutual principle. I am suggesting to you whether another mode would not be a better one; namely, whether it should not be declared to be illegal to introduce any clause in a mutual society, which, in a proprietary society, you would hold to be illegal, and contrary to and inconsistent with the deed; as, for instance, anything which should limit the claim of the party to the amount of capital that happened to be in the possession of the company at the time of the loss. Of those two modes of dealing with the matter, do you not think the latter is the most easy and the most obvious; I mean, that of enabling you to strike out from any deed of a mutual company any clause that should limit the claim of any party to the amount of the money that happened to be in hand?—That would answer the same purpose, because, if there be a mutual undertaking to cover each other from any loss that may occur, then the law would be sufficiently operative upon them.

136. Mr. *Forster.*] In the case of mutual offices, are not the first premiums received more than swallowed up by the preliminary expenses?—Yes. I should refer the Committee to this return of the balance-sheets, by which they will see the vast amount of the preliminary expenses; sometimes almost all the money originally supplied is swallowed up by preliminary expenses.

137. Are you aware, in case you had the power to strike out any such provision in a deed, whether they could not obtain the same object by their policies?—No, I am not; they might obtain it, and it would be a particular personal stipulation as between A. B. and the company.

138. *Chairman.*] In relation to that, is not there in the present system a practical deception practised upon the public by deeds containing the stipulation to which you have referred, and which deed, although it may be seen, is not practically seen by the great bulk of those who afterwards become partners in the society by assuring their lives in that society?—No doubt of it. I do not suppose that one in a hundred subscribers to a company ever look at the deed; they are like, as I have told them, a flock of sheep, one runs and jumps over a hedge, and all the rest follow; and I have said, "If a man stood before you with a poll up, you would all go and follow." They go and sign the deed, because others have signed it before them; they do not know what they stipulate for.

139. Do you consider that the deed is necessarily signed by every person who, from time to time, becomes interested in the company by assuring his life?—Nobody signs the deed but the subscribers who take shares; they are the parties who are trading under that deed

140. In mutual associations they ought all to sign?—In mutual associations they ought all to sign.

141. Do the persons ever come, year after year, as they do when they assure their lives?—They ought to make returns under the Act, I conceive; but some of the mutual assurance associations have made an application to be relieved from that, and the Lords of the Treasury have relieved them from some expense in making the returns. I considered, under the interpretation of the Act of Parliament,

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liament, the members of a mutual assurance company are in the situation of subscribers or shareholders in such companies, and that they were bound to be returned and registered at the office. There was a company refused to make the returns; I told them I should be obliged to refer them to the Attorney-general; but they made an application to the Lords of the Treasury to lessen the payments upon them, because, as it was 1*s.* which was ordered to be paid by every subscriber who returned on a transfer of shares, for the registration of his share, I considered that the mutual assurance companies were under the same principle, and that every one who was assured must have his name returned, and must pay 1*s.* However, a memorial was sent to the Lords of the Treasury, and their Lordships were pleased to make an alteration that the first sheet should pay 1*s*, and the subsequent sheets 6*d.*, for every return made, instead of paying upon the name of every subscriber.

142. When was that, do you know?—A few months ago. I was very sorry it was done in the case of one company, and I expressed my regret at it because a matter of that sort should be done with reference to every company, not one company having preference over another.

143. Did the Treasury Minute actually absolve the partners from signing the deed, or did it only stipulate for a different rate of payment?—For a different rate of payment.

144. Mr. *Hamilton.*] Probably you recollect, on a subsequent application, the Lords of the Treasury made an order that the same rule should be extended to all companies similarly circumstanced?—Yes.

145. *Chairman.*] What was the peculiarity of the company that made this application; what was the class of company?—The mutual. With respect to the proprietary companies, upon the transfer of a share that transfer must be registered, and they paid 1*s.* for the registration, and then it appeared in whose name the shares stood. I considered that the mutual assurance society stood in the same relation, as subscribers; and that in that respect they were bound to be each returned to the Registration Office as a subscriber or shareholder in the mutual assurance company, therefore I said, "I feel myself bound by the order of the Lords of the Treasury to take that shilling for the registration of the mutual assurers, as well as for the transfer of the shares in a proprietary company." It was a matter of duty entirely.

146. Mr. *Hamilton.*] In the case of a particular company, the Lords of the Treasury decided that there was to be a mitigation of the fees; they decided upon the case before them, and upon a representation from you that there were other cases that the same rule ought to apply to, the Lords of the Treasury decided that the same rule should be made applicable to them?—Yes, in consequence of my writing to them.

147. *Chairman.*] That has reference to all mutual assurance companies?—Yes.

148. Mr. *J. Ball.*] Though that Treasury Minute relieved the associations from the fee, those associations still made a return to you of each change?—Of every mutual assurer.

149. *Chairman.*] Those mutual associations have a large business in every part of the country through their agents; have you reason to believe that it is usual for them to send and register all those who assure their lives?—They do not register themselves. The return is made by the office. They return a list of all the mutual assurers.

150. Then those lists ought to show you, if they are kept correctly, the whole amount of persons assured in those particular societies?—I think so for this reason; if I were assured in a mutual assurance office, I should wish to know to whom I should look in the case of a loss occurring to me; I should have no means of doing that except by referring to the register of mutual assurers.

151. Then does not it follow that the clause to which we have already referred, limiting the liabilities to a certain amount, is in reality the same as in proprietary bodies. You limit the responsibility of all those partners to each other, not to their natural and apparent risk, but simply to a sum of money that may happen to be in hand?—No; supposing all the gentlemen present here and myself were all in a mutual assurance company, and I met with a loss, and I wanted to ascertain to whom I was to apply for the purpose of being compensated for that loss; if I went to the public registrar I should see the names of the parties registered,

tered, and I should say A. B. C. D., and so on, are all liable for their proportion of the amount to be paid to me; they ought all to contribute; a guarantee fund is the proper fund.

152. If a stipulation is put in the deed, whereby you are precluded from coming to all your co-partners, and you are only to look to a certain fund in hand, does not that practically limit the liability of your partners, and is it not entirely contradictory to the professed objects of the society?—So it is.

153. You have not felt that your discretion has extended so far as to entitle you to strike out stipulations of that kind when they have appeared in deeds before you?—Certainly, I have not felt it so.

154. Mr. *Cowan.*] I think the first answer you gave to the Chairman's question was, that one of the leading provisions of the Act of 1844 was to register joint-stock companies of every description?—Yes.

155. I presume you only refer to assurance companies?—No, to gas and trading companies, and any company associated for the purpose of profit, with certain exceptions, which you will see in the Act of Parliament.

156. All such companies, I presume, are required by the Act to lodge their annual balance-sheets?—Yes, they are required to lodge their annual balance-sheets, but there is no penalty attached to not doing it.

157. Is there any provision in the Act that that balance-sheet shall be certified or audited by any competent person?—There are auditors appointed by the deed, but I have no doubt that those balance-sheets are all manufactured for the purpose of being registered here; indeed, I have one instance—I forget the name of the company—where the solicitor laughed, and avowed it was a balance-sheet made up for that very purpose.

158. You then informed the Committee that originally under the Act of 1844 such companies were required to furnish you with a copy of their prospectuses?—Yes.

159. Which afterwards was rendered unnecessary by a subsequent Act?—Yes.

160. At whose instance, or for what purpose was that alteration made?—When the Amendment Act was passed, I knew nothing of the Act of Parliament; nothing of any stipulation in it; I never had a word said to me upon the subject of it; I never saw it, or heard of it until the Act was actually passed, and I sent for a copy of it.

161. You mean the second Act?—Yes, I mean the second Act; had I done so I might have made some suggestions upon it; I have made some suggestions now to the Board of Trade.

162. Do you conceive there is any material security afforded to the public by the fact of your being furnished with a copy of the prospectuses?—Yes, I think so, because you have an opportunity of seeing whether the prospectus is consistent with the intended original formation of the company; in fact it secures to the public an opportunity of seeing what the company have professed to be.

163. Mr. *J. Ball.*] Does the Act provide any penalty for false statements made, or false returns made to you on the original registration of the company; for instance, false names or false addresses, and false statements of the avocations of the persons who are proprietors or mutual assurers in the original formation of the company?—No; there is no penalty, I believe, attached to that.

164. Have you any reason to believe that such false statements have at any time been made, or such false returns made?—I have had a person make a return to me of his place of residence which turned out to be false, and I have felt myself labouring under very considerable difficulty; I had a complaint made of me to the Board of Trade, that I had been negligent in the discharge of my duties, and had not looked to a deed which ought to have been looked at, and passed. A Member of the City of London sent a letter, directed to him by a constituent, to the Board of Trade, making a complaint against me, and the Board of Trade referred the letter to me, and requested an explanation; I gave an explanation, and the explanation was this, that at the time that deed was left in my office, I had no less than 19 deeds previously left, and as a public officer it was my duty to take every deed in rotation. He complained I had delayed the deed in my office; I made my return to the Board, and the Board were satisfied that I was right; but in consequence of that I made inquiry as to the party who had made the complaint, and I found the man had given a false address, and I have no doubt in the world false addresses are given. I endeavour, by examining

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mining the Post-office Directory, to see what they are, and who they are. I have cobblers and tailors, and people of that kind, described as esquires; sometimes they make a return as promoters of the company, and give their proper calling in life, saying whether they are tailors or shoemakers, or whatever they may be; but when I come to the deed it is A. B., esquire, living perhaps in some small place out of town; and I have sometimes taken the liberty of altering in red ink the improper description from esquire to shoemaker.

165. No penalty is provided for that?—No penalty is provided for that; there are many things in the Act of Parliament which would be forbidden, and are forbidden to be done by the Act, but there is no penalty attached to it; it would be misdemeanour for not complying with the order of the Act, but there is no one to prosecute.

166. In the discharge of your duties with regard to the deeds, you have explained that you examine them, and strike out anything that appears to you illegal, or you add other things required by the Act that may be omitted; can you say in what number of cases you have declined altogether to register the proposed deed of settlement on the ground that the parties refuse to make it legal?—I do not think there is any one instance in which they have not complied with my requisition, but they have been attending me by counsel sometimes, and they argue very strongly; and afterwards, in many cases, the counsel on going away say, "I think you are perfectly right in what you have done."

167. You have mentioned, that in certain cases application was made for a mandamus to require you to register companies to whose deeds of settlement you made an objection: are those cases reported, giving the precise points of law?—One was a case where an alteration was wanted to be made in the name of the company, and I considered it to be contrary to the intention of the Act of Parliament, which has ordered it to be registered by the name appearing in the deed, and which shall continue so long as the company exists.

168. I understand you thought the decisions of the courts upon those cases in some degree defined the extent of your discretionary power as to granting or refusing registration?—It was contended by counsel that my office was ministerial only, and that I was bound to register anything in any deed the parties would bring to me.

169. *Chairman.*] Provided it was consistent with the Act of Parliament?—No, they did not put it that way; but that I was bound to register whatever deed they brought me; and the judges, Lord Campbell, Mr. Justice Coleridge, and Mr. Justice Erle, and Mr. Justice Patteson, scouted the idea, and said, "How can it be ministerial; supposing they chose to insert anything in the deed perfectly irrelevant, and certainly inconsistent with law, is the registrar bound to register such a thing as that?"

170. Mr. *Ball.*] Has that point, with reference to the limitation of the liability of a proprietary association, come before a court of law?—No.

171. Your decision upon that has never been questioned in a court of law?—No; it has been oftentimes introduced, and I have struck it out.

172. The nature of the objection which you state to such a provision being introduced in a mutual assurance company is, that you think it deprives the assurers of the security to which they ought to be entitled; that is the nature of the objection?—That is the nature of the objection.

173. But if with a full knowledge of what they are about, persons choose to enter into such a mutual arrangement as that, do you conceive that the law ought to interfere to prevent their doing so if they are fully aware of the nature of the contract they are entering into?—Provided they are fully cognisant of it; but the misfortune of it is, that not one in one hundred who signs the deed, or enters into an arrangement with a mutual assurance company, or a proprietary company, knows any thing whatever with regard to the contents of the deed.

174. If it were possible for the law to secure that the persons entering into a partnership or signing a deed, should be fully aware of its nature and effect, do you see any reason why the law should interfere to prevent them entering in such an arrangement or contract?—The reason is this: there ought to be a guarantee fund in the first instance with regard to all mutual assurance companies, for the right of action against the company would be answered as against the company, I apprehend, by showing there is no fund in hand to pay; then they would be obliged

obliged to call upon each individual mutual assurer for the proportionate share of his money, and application to be made to the court upon the subject.

175. You think it is highly imprudent for any person to enter into such a contract?—Yes.

176. And you think the law ought to interfere to prevent people doing that which is imprudent?—To give a certain security to those that might be in ignorance drawn in; I think it would be well if a guarantee fund was established in the first instance; that there should be, say 10,000 *l.*, or any other sum, called a guarantee fund, and that that should be answerable for any losses that might be incurred until that amount was made good by the amount of premiums accumulated, as a mutual fund; then the parties might be secure; but if there be such a clause as I have before referred to introduced, wherein the parties are told they are only to look to the fund in hand to answer any loss whatever that may be incurred, all the losses may be incurred in the first instance of the establishment of the company, which would perhaps not pay 6 *d.* in the pound.

177. Can you officially give us any information as to the cases in which, in mutual assurance companies, persons have been at a loss; that is, in which the companies have not been able to fulfil their engagements to the assurers?—No, there are very few mutual assurance companies, therefore I have no opportunity of judging; there are only 27 mutual assurance companies registered.

178. Have you no information of any one of those 27 having failed to perform its engagements?—No, but I have seen this; that some of them have felt themselves under the necessity of establishing a guarantee fund, and they have come for the purpose of doing it.

179. Can you inform the Committee how many of the 27 have established a guarantee fund?—Most of those mutual companies have stipulated for a guarantee fund to be established, but out of the premiums to be accumulated they have in reality no guarantee fund. I would suggest that a certain guarantee fund should be established by the promoters of the company, say 10,000 *l.* for the purpose of argument, and that should be answerable for any losses that might occur until the accumulation of the premiums was sufficient to form a guarantee fund. Then, of course, that money might be withdrawn, and interest paid upon it to the parties who had formed it.

180. Are the returns in your office, with regard to the separate companies, brought together, in such a shape that a person going there to consult those returns could obtain any information that he desired to get as to any particular company?—They are all registered. Suppose you wanted to consult the register of a company, you have nothing to do but to give the name of the company, and the portfolio would be laid before you; everything is in portfolios like this (*producing one*).

181. All the papers are brought together?—Yes, all the papers are brought together, and may be examined.

182. Mr. *Chambers.*] I wish to call your attention to an answer you gave with reference to the provision introduced into deeds of settlement of proprietary companies, and which you strike out as inconsistent with the existing law; the provision limiting the liabilities of partnerships under contract. I understand you still express an opinion that although the policy issued by such a company might contain a clause limiting the liability of the company upon the policy to the funds belonging to the society, still the provision in the deed would be illegal?—The provision in the deed I conceive would be illegal, because it is contrary to the decisions of the courts with regard to liability of partnerships at common law.

183. And you consider that the introduction of such a clause in the deed establishing a mutual company, is not illegal?—It appeared to me there was a distinction between a mutual company and a proprietary company. A proprietary company, under the common law of partnership, would be liable for all the debts of the partnership.

184. In a proprietary company every subscriber of capital is a member of the company; in a mutual company every person assured by the society becomes a member of that company, so that they all mutually assure each other; do you consider it inconsistent, either with law or prudence, that the arrangement made should be that the funds of the society, and not the private property of each individual member, should be pledged for the payment of the policy when it falls due?—The funds of the society should be liable in the first instance, and then in

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the event of the funds being exhausted, the parties should be called upon to contribute.

185. Then do you still think it desirable that the law should interfere to govern the conditions of a private contract between parties, and enforce a contract covering the whole of their personal property, as well as the funds of the society?—I was led to consider the distinction by some decision I saw reported, wherein the parties had stipulated in the policy that a limited liability should exist, and the court held, that as being a special contract between the company and A. B., the contract was binding upon the party. I believe it had been previously decided that such a clause could be inserted in a deed that the liability should be limited to the funds of the company generally; that, the court held, was not law, because the liability of all the partners under a proprietary deed was just the same as the liability of all the partners at common law in a common partnership.

186. That is not exactly an answer to my question. You have expressed an opinion that in a mutual society it is highly undesirable that the liability of the society should be limited to the funds of the society; then I ask, do you, holding that opinion, think it desirable that the law should interfere to prevent parties forming such contracts?—I do; because in nine cases out of 10, the parties entering a mutual assurance society are perfectly ignorant of their liabilities.

187. Have you ever seen a policy of a mutual assurance society?—I might have seen one, but I cannot call to recollection.

188. Is it familiar to you that the policy of every mutual assurance society contains in the body of it a clause to that effect?—It is a mutual contract between them, and they have it upon the policy; it is a special contract.

189. *Chairman.*] What is it they have upon the policy; do you mean that the policy contains itself a stipulation similar to that which has been described as contained in the deed, that the liability of the company should be confined to the funds in hand?—Yes, I believe it does.

190. Mr. *Chambers.*] Do you not know it is uniformly and universally so?—I believe it is uniformly so; I have seen it in many instances.

191. Then the phrase has been used, that the liability is limited to the funds in hand; can you charge your memory with the terms of that stipulation, which you thought it right to strike out of the deed; was not it a stipulation to this effect, that the policy, when it became a claim, should be a charge upon the funds of the society, subject to prior claims?—I do not recollect that.

192. Do you recollect distinctly the phrase to be, cash or funds in hand at the time the policy became due?—I do remember it.

193. In one instance?—In more than one; but I cannot refer to the date.

194. Have you seen it more than twice suggested?—Yes, I think I have.

195. You have mentioned a provision which had been inserted in a proprietary company's deed, and which you struck out as being contrary to the law?—Yes.

196. That provision pledged only the funds of the company actually in hand at the time the policy became a claim?—In many instances they have introduced such a clause of limited liability in a proprietary company, and I say I always strike it out because it is inconsistent with the law.

197. The clause you objected to in the deeds of settlement of mutual companies was the clause which proposed to limit the liability of the policy to the fund in hand at the time the policy became a claim?—Yes.

198. Did you strike out that clause?—Not out of the mutual, but out of the proprietary I did.

199. Have you found that clause suggested in a proprietary company's deed?—And I have always struck it out, then it was agreeable to the decisions of the court; but as a mutual company I never met with it, therefore I thought there was a distinction.

200. Then I will just ask you this question: are you not able to state in how many instances that clause has been suggested?—No.

201. In very few or very many?—I should say in one in 20 perhaps, or something of that kind; above 800 companies have been completely registered.

202. Not assurance companies?—No; I have made a return of that.

203. You have not known a single instance of mutual assurance company failing to meet its engagements?—No; I have no means of knowing.

204. Have you known a single instance of any policy holder in a mutual assurance

assurance company failing to receive the amount of that policy when it became a claim?—Certainly not; I know nothing of it.

205. Have you any information as to how far the premiums in the early stages of the existence of a mutual company are found sufficient to meet the early claims?—I can only judge by the statements in the balance-sheets.

206. Does that statement in the balance-sheets give any information as to what sum has been paid upon policies that have become claims?—Some do and some do not; some are so manufactured that you cannot understand what assets they have.

207. Judging from those you can understand, have you found any instance of a policy having become a claim when there was inability on the part of the society to meet it?—No.

208. *Chairman.*] Would that appear upon the accounts?—No; I have no means of judging upon the subject.

209. I understand that there are two classes of societies, one which you call proprietary, and one which you call mutual; the distinction I understand to be this, that the proprietary company has not only subscribed capital wherewith to meet its engagements, but also has a liability to any extent, on the part of the proprietors, to the creditors, or those who are assured?—Certainly.

210. The mutual society has no subscribed capital, and therefore the only guarantee that they have beyond the premiums in hand from time to time, analogous to the capital subscribed in the case of the other company, and to the liability of the partners, is the liability of the whole partners to each other?—Certainly.

211. Now, suppose that we were to recommend the establishment of a third description of company, such as that which has been referred to, and into which the mutual societies seem to have degenerated, that is, a company not proprietary, and not mutual because not mutually liable, but simply having a claim upon the fund in hand when the risk became due, would it be fair to the public at large to designate that new description of company by the same name that would obviously mislead the public with reference to the nature and character of the security which is given?—I think it would be very unfair.

212. If such a company is to be recognised, would not it be better to be known by a distinctive name?—Yes.

213. By the name that properly characterised it, and not by a name obviously calculated to mislead if the parties are not careful in examining the deed?—Yes, certainly; everything should be as plain for the public to look at as possible; and nobody can conceive the perfect simplicity of persons who become subscribers to those companies, and the persons who go to an insurance office know no more about it than they do of the man in the moon.

214. You have handed in a book containing the various papers relative to a particular company; have you any remarks to make with regard to that company?—I do not know that it would be right to mention the name of the company, it is the ——— Company. I am not certain whether this company si now going on or not; I wish, as the subject of joint stock companies generally is under consideration, and more particularly assurance companies, to state this is not an assurance company. I wish to show the principle upon which the office that I hold as registrar is subject to fraud being practised upon it, which it might be necessary for the Committee to take into consideration in the event of their feeling it necessary to make any alteration in the law. This was a company established as an omnibus and cab company. By the Act of Parliament it is requisite that one-fourth of the amount of shares should be subscribed before it is the duty of the registrar to register the company completely. I wish just merely to call the attention of the Committee to the schedule and return of the parties who signed this deed, because it will explain a little the difficulty I am labouring under, and the same difficulty might apply as well to insurance as to any other company. The party's name is inserted in the first column, then the number of shares in the second column, then the description or occupation of the parties holding shares in the third column; the next column the address or place of business; the date and signature come in the next column, and then the witness to the execution of the deed. I stated to the Committee that it is necessary to have one-fourth of the amount of capital subscribed for, and the signature of the shareholders. I would wish to call the attention of the Committee to this, which I have submitted to the

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solicitor of the Treasury, by order of the Treasury, but upon which no prosecution, unfortunately, could be instituted, according to their opinion, to show the amount of fraud committed upon the office, so as to get the deed completely registered. It will be seen there are various signatures for those various shares, principally varying from one to five shares; there is one 50, there is one 200, and another 200; but that must be brought into the same category with those to which I am going to call the attention of the Committee. It is purported to be signed by a female, and she is described as a milliner. They are 5 *l.* shares, and she subscribes for 200 shares, which would be 1,000 *l.* Upon reference to the Post-office Directory, it will be found that no person resided at the address given, and, on the contrary, it was a linendraper's, so that that is either a fictitious address, or else it is a fraudulent return of the person's name so subscribed, who is in fact no subscriber; but all those signatures took place in July 1852. Then the parties found that those 5 *l.* shares did not accumulate sufficiently for the purposes of registration, the capital being 20,000 *l.*, and the amount of shares to be taken being 5,000 *l.*, the parties proceeded to obtain signatures. Then we come to 22d July 1852, the commencement of those extraordinary signatures to which I wish to call the attention of the Committee. First of all, comes a man for 200 shares, and others for 200, 300, and 100, and one of 195; and then other subscribers for shares to the amount of 100, 200, and so on. There is the same date of the 22d July 1852; the signatures are witnessed by the same man; and upon inquiry by an attorney who brought the matter to my notice, who had taken the trouble of sending to all those parties to ascertain whether they were substantial persons or not, almost every one of them was a man of straw; some of them not living at the address, or little clerks in an office; some of them artisans, and described as gentlemen, wine merchants, and so on; so that all those signatures which were necessary to pass as being subscribers, and substantial persons, forming a fourth part of the capital, viz. 5,000 *l.*, turned out almost all men of straw. Now, I have no discretion and no power whatever to investigate that. I have nothing to do but to see that the number of signatures is correct, and I am bound to register them; that is fraudulent upon the face of it.

215. Mr. *Glyn.*] Was the amount of the shares 5 *l.* a share?—Yes; so that you see here (*pointing to the deed*) that shows a fraud committed upon the Registrar's Office, which I have no means of preventing.

216. Mr *Chambers.*] In what respect is that a fraud?—It is so far a fraud upon the office that I am bound to receive those signatures as being *boná fide* signatures of persons who are responsible persons, while they are all men of straw; so far it is a fraud, but not a cognisable one for prosecution.

217. In what respect is it a fraud; are the parties non-existent?—They are existing, but persons living in lodgings, and running about without any ostensible means of living. I had one instance where a man had obtained signatures in this way, and paid a shilling to the parties to sign them.

218. *Chairman.*] They are also frauds, because you discovered in a great many cases there is no such person living at the place?—Yes.

219. Mr. *Chambers.*] Is that so in many instances; I have heard at present but one instance stated?—Yes, almost the whole of those instances.

220. Do I understand you, therefore, to intimate a wish and desire that any amendment of the Joint Stock Registration Act should give you the power, and throw upon you the responsibility, of ascertaining the solvency of the parties who sign the deed?—No, certainly not; but there is no penalty against anything of the kind. I will show you how the fraud might arise under this Act of Parliament in this way. There is a clause in the deed which says, "That on and after complete registration of the company, there shall be paid by the shareholders, on execution by them of these presents, or any deed of accession thereto or duplicate thereof, in full of all future calls and instalments, the whole of the sum or sums representing the amount of their subscription towards the capital stock of the company." They are bound to pay it upon their subscribing the deed, and here are men of straw who really cannot pay it, and have no means of doing it; and then comes another clause, which is a saving clause to all those parties, and which I have no power to say shall not be: it is, "That whenever any share is forfeited or duly transferred, the previous holder of such share shall from and after such forfeiture, or the return of such transfer for registration as aforesaid, contract or be subject to no fresh liability in respect thereof, or in respect of any subsequent contracts or demands of or against the company;

company; and the company shall from that time forth hold and keep such former shareholder harmless, and indemnified of, from, and against all claims, contracts, and obligations then subsisting and unsatisfied, to which such former shareholder by reason of his having been a shareholder in the company is then liable, and shall release him from all further and future observance and performance of all covenants, conditions and agreements, in respect of the same." There is a power of forfeiture upon the non-payment of the amount within two months after notice sent to them; the shares are to be declared forfeited; they have nothing to do but to declare all those shares forfeited, and the consequence is that those parties names have been made use of for the purpose of obtaining the registration of the company as *bonâ fide* subscribers, and they all turn out men of straw, so that there are only a few 5*l.* shareholders.

221. I want to get your opinion as to the remedy for that state of things?—That is the difficulty I labour under.

222. After the information you have given us with reference to the facility with which what you have denominated frauds are perpetrated on the Registration Office, are you still of opinion that the public have the slightest benefit or security from the registration under this Act?—An immense mass of benefit results to the public from it, no doubt.

223. Notwithstanding the facility of doing that?—Notwithstanding the facility of doing that. I am only giving instances of fraud that might be committed, and in other instances other companies have done the same thing. I go and subscribe for 500 shares to a company; I am bound by a certain time to pay my instalments upon those shares; if I do not pay the instalments the shares are forfeited; parties go and sign the deed, and they are nominally called upon to pay the shares; they do not pay them, then they forfeit them; there is a stipulation that a certain amount shall be subscribed, and they are men of straw who sign it, so that the company is formed upon men of straw.

224. How do the public benefit by this registration?—I should say to a general question like that, that the public benefit in everything, except where you show they are not benefited by it

225. Mr. *Hamilton.*] Have not the public an opportunity of going and making inquiry for themselves with respect to the solvency of those parties who, you state, are men of straw, by seeing the names and descriptions in your books?—Yes, they have undoubtedly.

226. *Chairman.*] If there are to be joint-stock companies, does not your office afford this facility to the public, that any person, by paying a shilling, can at once go and ascertain the conditions upon which that company has been established, and it may be to them a certain guide as to the responsibility of that company in dealing with them?—Yes.

227. And may it not be found of great utility to the public, by enabling them to see who are the registered proprietors, and whether the parties are known to be parties who are trustworthy or who are not trustworthy, so that the public have the opportunity of knowing and making inquiry as to the respectability of the parties?—Yes, there is that safety.

228. Therefore, while you think there is a great defect in the present state of the law, yet there are great advantages derived by the public from the existence of your office, and from the provisions of the Act?—Undoubtedly.

229. Mr. *Chambers.*] You mentioned the objection that was made by certain mutual assurance offices to registering half-yearly the names of their new members, every assured person that becomes a member of a mutual assurance society being required to have his name registered at the end of six months: was the objection made an objection on the ground of the expense it was to those companies when doing a large business?—Yes.

230. So that if 500 new policies had been issued in the six months, it became an expense of 25*l.* to register those names at the end of the time?—Yes.

231. *Chairman.*] It was on that ground the Treasury gave them relief?—Yes, it was on that ground the Treasury gave them relief; they paid 1*s.* for the first sheet; the order was 1*s.* for the first sheet, and 6*d.* for the next.

232. They did not relieve them from the obligation of being registered?—No.

233. But relieved them in so far as the expense of registration went?—Yes, that was all.

234. Mr. *Cowan.*] Would you recommend that these parties should be required

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required to pay up a certain amount of capital?—I think myself, as a matter of public policy, upon the best consideration I have been able to give after my experience of that office since the year 1846, that it would be a very desirable thing that a fund should be established by every company in the first instance, and subscribed capital paid up, and that the certificate of complete registration should not issue until a certificate of some sort or other had been given to the registrar that that subscribed capital had been paid up, and that it had been dealt with in the same way as they do with the country banks; that a certain portion should be subscribed and invested; that the money should be paid up. I cannot feel a doubt upon the propriety of it, because it is established by this company I have referred to, that there is no part of that capital that has been paid up, or ever will be.

235. Mr. *Forster.*] Would it be found that the guaranteed fund, or the sum paid up, would be a great bar to the establishment of unsound or bubble companies?—I think it would.

236. Mr. *Cowan.*] Would you recommend such companies as you refer to, to have a larger proportion of their actual shareholders to be subscribers to the deed, as in the case of railway companies, which I think requires three-fourths of the subscription?—I should think one-fourth would be sufficient if the money be paid up, but you have no guarantee that the money is paid up.

237. Then it would depend upon the amount to be paid up?—In many cases they do not call for more than 5*s.* a share, and what is that to form a fund?

238. Mr. *Glyn.*] Do you think there is any objection to the low amount of shares; you have instanced a case of 5*l.* shares?—I think it would be better not to have it lower than 5*l.* There are an immense number of companies now established, the Californian and Australian Companies, at 1*l.* shares, and many of them established upon the cost-book principle, which is perfectly undefinable.

239. None of the assurance companies have shares of so low a denomination as 5*l.*?—I think so; but I am only speaking from recollection. The distress I have seen is almost indescribable, from parties coming to me and expecting that I can give them advice and assistance how to get out of the difficulty of being concerned in those companies, where they are called upon to pay subscriptions, and when they have paid them up, they have no means of getting them back, and the money is lost. I have had a governess in hysterics, for all her little savings she had involved in the company; I have had officers of the army and navy come to me, hoping I should be able to relieve them from their difficulties by giving them advice what they were to do, and persons of that description. You could never suppose it possible that they would be so childish as to commit themselves with regard to their monies as they have done; it is quite distressing; and clergymen the same way.

240. Mr. *Chambers.*] That does not apply to assurance companies?—To companies generally; but it might do so.

241. Has it ever?—I do not know; I am speaking generally with regard to companies; the same might apply to assurance companies as it would apply to others; the same game might be played in both.

242. Mr. *Forster.*] Looking at the state of some of the accounts that have been returned to your office, do you think it is at all probable that such a case might arise with reference to assurance companies?—Certainly it might; I have no check upon assurance companies any more than any other; and as to the balance-sheets, they are perfectly nugatory; they are not understandable; I have considered it over a great deal, and I have thought that if it could be devised by the Legislature that if any form of balance-sheet could be adopted, upon which the returns should be made out, and some stringent measure adopted also for the purpose of compelling the return of the actual balance-sheet that has been laid before the subscribers being returned to the Registry Office, it would then open the eyes of the public a great deal as to the state of the companies, as half the balance-sheets of those assurance companies must be manufactured for the purpose of registration.

243. Mr. *Glyn.*] Have you ever turned your attention to the proper form of the balance-sheet?—I am not sufficient of an accountant for that purpose; but it might be easily done by some man accustomed to it in such a way as would be perfectly intelligible to the public.

244. Mr. *Chambers.*] How frequently would you have such a balance-sheet returned?—Whenever it is laid before the subscribers. They are bound to lay a balance-

a balance-sheet before the subscribers once a year, and when the balance-sheet is so laid before the subscribers, then the return ought to be made to my office.

245. When you say a balance-sheet in reference to an assurance society, do you mean a statement of the income and expenditure for the year, or do you mean a balance-sheet that states the financial position of the company, with an estimate made by the actuary of its existing liabilities and the value of its assets; which do you mean?—In many of the assurance companies there is a distinction made with regard to the balance-sheet: a balance-sheet is to be made up once in a year, according to Act of Parliament, and once in five years an estimate made as to actual liabilities, and their value, to show the real state of the companies.

246. Have you an opinion that the annual statement of receipts and expenditure is of the smallest value in the world to give information in respect of the position of assurance companies?—Yes.

247. In giving a notion to the public of the stability and soundness of that institution?—Yes. Suppose 100 new assurers were assured in an office, then the amount of premiums paid up would show the amount of new business to the office; the amount of new monies paid into the office to answer liabilities, and so on, with respect to the accounts in general. But if you come to estimate the liabilities of the office, what they may be according to the state of the lives assured, which varies every year, it becomes a very different calculation, and a very nice calculation, which nobody but an actuary could enter into; that would be the five years' balance-sheet which I referred to just now.

248. Mr. *Henley.*] The mere showing each year the actual receipt of the company and the actual payments of the company, whether for expenses or otherwise, would of itself be some guide as to the position of the company?—No doubt.

249. For instance, if the expenses of the company were exceeding altogether the receipts of the company, that would show that nothing could be carried over to guarantee the policies?—Yes, certainly.

250. So that those receipts and payments, whether more or less agreeing or differing from each other, would afford some guide as to whether there was money coming in or going out in an undue proportion?—Yes; it would be a statement of the actual accounts of the company, without any speculation as to the liabilities; it would show the amount of liability, but it would not be an immediate calculation of what that liability would actually amount to.

251. Mr. *Chambers.*] It would show the amount of ultimate liability, but not the present value of that liability?—Yes.

252. Does such a statement contain any single element essential to a balance-sheet to show the financial position of the assurance company; does it show the assets, or does it show the liabilities?—I think a debtor and creditor account would very fairly show it.

253. *Chairman.*] Suppose a periodical account of a more minute description, such as you have described the five years, were given for the intermediate years, such an account of receipts and expenditure for the intermediate years, when taken in relation to the other account, would be a guide as to the progress of the society between the two periods; to that extent it would be an assistance?—Undoubtedly.

254. Mr. *Henley.*] Take this case of a society commencing, and its annual expenses to be 3,000 *l.*, and its annual receipts for premiums 2,000 *l.*, there must be some liability incurred, then?—No doubt.

255. If it were shown they were sinking 1,000 *l.* in expenses more than they were receiving altogether in premiums, that would be an element to show there was not much security for the parties assured?—Undoubtedly.

256. So that in proportion as those things happened, it would not be a direct index, but still it would afford some guide as to whether that society was in a prosperous or other condition?—Undoubtedly.

257. Mr. *Chambers.*] So that taking the case which the Honourable Member puts, of a society publishing its first balance-sheet, showing receipts 2,000 *l.* and expenditure 3,000 *l.*, you would set down that as a society in an unsound financial condition?—That must depend upon the amount of capital.

258. The Honourable Member said, the expenditure 3,000 *l.* a year and the

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income 2,000 *l.* a year, but probably what he intended to say was this, that in the year for which that was the statement the expenditure had been 3,000 *l.* and the income 2,000 *l.*—Yes.

259. Supposing a single statement of that kind before you, would that state of the account convince you, or lead you even to suspect that the society which presented that was in an unsound financial state?—No; I should say there was a loss upon the profit and loss account of 1,000 *l.* a year.

260. Mr. *Glyn.*] Upon the cash account?—Yes; if you receive 2,000 *l.* only and paid 3,000 *l.*, the loss would be 1,000 *l.*

261. *Chairman.*] In an old company which had been established some time, and had a large capital, they might show a very considerable expenditure over income in some years without showing themselves in an insolvent condition?—Yes.

262. If that state of things were continued year after year in a new company, where there would be no capital accumulated, the conclusion would be inevitable?—Yes, that it was a sinking company.

Lunæ, 11° *die Aprilis*, 1853.

MEMBERS PRESENT.

Mr. Wilson.	Mr. Glyn.
Mr. Forster.	Mr. John Ball.
Mr. T. Chambers.	Mr. Sotheron.
Mr. J. A. Smith.	Mr. Cowan.

JAMES WILSON, Esq., IN THE CHAIR.

Mr. *George Taylor* called in; and Examined.

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263. *Chairman.*] WHAT office do you hold?—That of Assistant Registrar of Joint Stock Companies.

264. How long have you held that office?—My official appointment dates from the 13th of August 1845; but I have filled the office substantially since the establishment of the Joint Stock Companies' Registration Office.

265. Will you state to the Committee in what year the Act was passed under which that office was established?—In 1844.

266. Will you state to the Committee shortly what you consider to be the most important provisions of the Act?—The Act regulates the formation and government of joint stock companies; in the first place by laying down rules to be observed while companies are being formed; in the next place, by prescribing conditions under which companies are to be formed; and in the third place, by laying down rules for their subsequent management. With regard to the formation of companies, every company, before it is allowed to take any steps to form itself, must be provisionally registered; that is to say, it must give in to the Joint Stock Companies' Office a statement of its intended name and business, and of the persons who propose to form it. Before it can enter upon its business, it must be completely registered; that is to say, it must be formed by a particular constitution, under a deed of settlement, containing certain prescribed provisions, and executed by a defined proportion of the persons interested in its capital; upon which a certificate follows, which authorises it to enter upon its business. After the company is formed, it is required to make regular returns relative to its business and capital, as long as the company is continued in existence. Those are the general provisions applicable to joint stock companies under this Act.

267. Practically speaking, have you found that those rules have been easily carried into execution?—I am not aware that there has been any particular difficulty in carrying them into execution, but their object has been rather too easily capable of being evaded; that is to say, those that were intended to be most efficient, have proved not by any means to be so; I mean particularly the rules connected with complete registration; the rules established for securing

that

that before a company can be authorised to enter upon its business, there shall really and truly be a *bonâ fide* company.

268. Which of the provisions of the Act do you regard as the provisions for securing the *bonâ fide* character of the company?—The provisions which require that the deed of settlement of every company must be executed by one-fourth of the subscribers holding one-fourth of its capital before the company can begin business. Who and how many the subscribers are is a matter as to which we have no alternative, but to take it upon the statement of the persons forming the company themselves. That is the only provision by which the formation of the company is tested; if that provision is complied with, complete registration must be granted.

269. You stated that you have found great facilities to exist for evading those provisions; will you state the nature of those evasions?—I think I can explain the nature of them better by instancing a particular example than in any other way, if the Committee will excuse me from mentioning the name of the company I refer to. A company was formed some time ago for life insurance; the capital was stated in its deed of settlement to be 10,000*l.*; consequently this company could obtain complete registration on having its deed executed by parties holding shares to the amount of 2,500*l.* In point of fact, when the deed was produced for registration, it was executed by persons holding shares to the amount of 2,700*l.*; and it was represented at the same time, in the schedule to the deed, that further shares had been taken, although the parties who had taken them had not executed the deed, to the extent in all of about 3,100*l.* In the deed there was a clause (a very usual one, though not to the same proportional extent) empowering the company by a resolution of a general meeting to increase the capital to the extent of 90,000*l.* additional, or 100,000*l* in all. Within a week after the deed of the company was sent into the office for registration, a general meeting was called for the purpose of increasing the capital; a meeting was held within something more than a week afterwards, and a resolution was passed increasing the capital to 100,000*l.*; so that within a few days after the company was authorised to commence its business, it was in a condition to announce to the world that its capital was 100,000*l.*, although the deed of settlement had been executed only to the extent of 2,700*l.* To show that nothing had taken place in the interval to warrant this change, I may mention that a return, made some months afterwards, showed that additional shares had then been taken only to the extent of about 500*l.*

270. In addition to the original 2,700*l.*?—Yes.

271. Is there not usually in those deeds, whereby the capital is limited, provision for its extension in certain cases to a certain amount?—In general there is a provision for the extension of the capital to a certain amount; but there is no power anywhere to limit that amount. If parties who establish a company with a capital of 100,000*l.*, choose to reserve a power in their deed to increase the capital to 10,000,000*l.*, there is no power anywhere to prevent that.

272. Then for any increase of capital which takes place, they are not required to come back to the Register Office?—Not for any renewal of their powers; they are required simply to make a return of the fact.

273. Have you any means of knowing that the new capital subscribed is taken by any specific number of proprietors?—The only means we have of knowing that is, by the return which they make of the new allotments of shares, which by the Act they are required to make.

274. But you have no authority to notice it?—We have no authority to notice the fact.

275. Do you regard that stipulation in the Act as of any importance in securing the *bonâ fide* character of the company?—I do not think it is sufficient to secure it.

276. Practically is it very easily evaded?—I think so.

277. Is the facility of evasion so great, that where there is a motive to evade it you have no means of preventing the evasion?—I decidedly think so.

278. That is all that is required for complete registration?—There is merely required the execution of a deed for a certain proportion of the originally declared capital of the company, with some other merely formal regulations; that is all in the nature of a check or a test upon the formation of the company which is required.

279. That is as to the commencement of the company; then what connexion has your office with those companies afterwards?—It is necessary for each company

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pany to make a return once a year of the fact of its continued existence, that is, a simple statement that it is going on; this is done by a return of its name and business. Then, twice a year, a return has to be made of all changes in the list of shareholders, whether by additions, or by withdrawals, or by transfers. Each company has also to make a return of any changes which it may make in the terms of its deed of settlement, whether by a supplementary deed or by resolutions of general meetings. Then every company is required to hold at least one general meeting in the year, and within a fortnight after that meeting they must make a return of the balance-sheet with the auditors' report, which have been laid before the general meeting.

280. Then, in fact, you have a record in your office of all the substantial proceedings of the company as far as regards its existence, its amount of capital, and any change in its name?—Not as regards the amount of capital paid up, except by a roundabout process. Most of those facts, however, though not specifically stated in the papers returned to the office, are to be gathered from them.

281. If the capital was increased in consequence of a resolution of a general meeting, would you not necessarily become cognisant of it?—It would be the duty of the company to make a return of the fact; but we have no power to require any proceeding to be taken which would show that that was a real *bonâ fide* increase of capital.

282. You have no such check as you have at the first commencement of the company, when you may require to see that one-fourth of the capital is actually subscribed?—None whatever. For example, in the case of the company to which I have alluded, it appears from the last return to the office, that its deed remains executed for only about 3,600 *l.*

283. Although they have an addition of 90,000 *l.* to their nominal capital?—Yes.

284. You state that the companies must make a return of their continued existence: are they required to make a return of any change of name?—They have no power to change their name. It has been decided by the Court of Queen's Bench that a company completely registered cannot change its name.

285. Then in the event of their wanting to adopt another name they must commence *de novo*?—They must dissolve the company and form a new one.

286. Is it common for companies provisionally registered in one name to drop that name and take another?—Very common. Provisional registration has never been held conclusive as to name.

287. Mr. *Sotheron.*] Can they change their place of business?—Yes.

288. *Chairman.*] But they must make a return to you of the fact?—Yes. The reason why the name is held to be unchangeable is, that the company is incorporated on complete registration, and the Court of Queen's Bench held that to that extent it partook of the incidents of a corporation.

289. Mr. *Forster.*] They can change their name only by an Act of Parliament?—Yes; some completely registered companies have been empowered by Act of Parliament to change their names.

290. *Chairman.*] You say that one return which they have to make is of the fact of their continued existence. Can you inform the Committee how many insurance companies have been established under the Act of 1844?—The total number completely registered up to within a few days back is 135.

291. How many provisionally registered?—I am not prepared to say.

292. Can you furnish the Committee with a list of all the companies which have been provisionally registered, giving their names and the dates both of the provisional registration, and of the complete registration, and of their ceasing to exist (where they have ceased to exist), and showing those that are in existence at the present time?—I have a statement here with respect to completely registered insurance companies, which supplies with regard to them much of the information for which I have been asked; and as it is very short, perhaps the Committee will permit me to read it. Of eight insurance companies registered in 1845, two have been dissolved, and six have returned themselves as existing in 1853. I may here mention with regard to dissolution, that there is no provision in the Act by which companies are required to give any notice to the Joint Stock Companies' Office of their being dissolved. The Act of the 7th & 8th of Victoria is entirely silent upon the subject of dissolution. There is a provision in the Amending Act of the 10th & 11th of Victoria, but it is not enforced

enforced by any penalty ; and from the manner in which it is expressed it is very doubtful whether its application is not confined to provisionally registered companies. We, therefore, can never be sure that we have a full list of the companies that are dissolved.

293. You were understood to state that it is the duty of every company to return the fact of its existence at the end of each year; would not that furnish you the means of knowing those which have ceased to exist?—It would, if we were sure that every company which did not return itself had ceased to exist; but there have been instances of the return not being made from mere neglect. To proceed with my statement—of 15 companies registered in 1846, three have been dissolved; one has made no return since 1850, two have made none since 1852, and nine are returned as existing in 1853. Of 21, registered in 1847, four have been dissolved, one has made no return since 1849, one none since 1851, one none since 1852, and 14 are returned as existing in 1853. Of 14 registered in 1848, three have been dissolved, one has made no return since 1852, and 10 are returned as existing in 1853. Of 15 registered in 1849, two have been dissolved, one has made no return since 1852, and 12 are returned as existing in 1853. Of 12 registered in 1850, one has been dissolved, one has made no return since 1850, three none since 1852, and seven are returned as existing in 1853. Of 18 registered in 1851, three have been dissolved, seven have made no return since 1852, and eight are returned as existing in 1853. Of 25 registered in 1852, one has been dissolved, seven have made no return since 1852, and 17 are returned as existing in 1853. Seven have been registered in 1853, but of course they have made no subsequent return. An abstract of the whole may be stated as follows :—

Total number registered - - - - - -	135
Dissolved - - - - - - - - -	19
No return since 1849 - - - - - -	1
No return since 1850 - - - - - -	2
No return since 1851 - - - - - -	1
No return since 1852 - - - - - -	22
Number existing in 1853 - - - - - -	90
	135

Seventy-nine have taken out the annual certificate for 1853. Of the 90 now assumed to be existing, having made returns in 1853, 83 were formed previously to 1853. I have assumed, in one point of view, that a company which made any return during the year 1853, may be supposed to be in existence in the year 1853, although the proper return, which may be regarded, according to the circumstances, either as an acknowledgment of existence, or as a claim to be considered as existing, has not been made, namely, a return of its name and business. Of those, 79 have made a return of that kind, and the others have made other returns ; making, altogether, including the seven companies registered during the present year, 90 companies which may be assumed to be in existence at present. Of course this is liable to correction in the case of some of the companies which have not made returns since 1849, where the omission may have been caused by neglect.

294. *Chairman.*] Have you any means of stating what proportion that bears to the number of provisional registrations during that period?—I think it is rather more than a third ; but I should not say that much importance should be attached to provisional registration in any way.

295. Mr. *Chambers.*] Provisional registration is a step that must be taken before any measures are taken for establishing a company?—Yes ; provisional registration is simply an announcement that certain parties intend, if they can, to establish a company for a particular purpose.

296. *Chairman.*] Independently of those returns to which you have referred, does not the Act provide that every company shall make a return to you of its balance sheet once a year?—It does.

297. Has that provision of the Act been carried out?—It has to a very considerable extent.

298. Has it in all cases?—Not in all cases.

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299. What means do you adopt to obtain those balance sheets if they fail to send them?—Our means is, simply writing to them to require them to make the return. Unfortunately the Act contains no penalty for omitting to return the balance sheet.

300. Then it is entirely optional on the part of the company?—Practically it may almost be considered so, unless so far as a penalty may be incurred by mere disobedience to the provisions of an Act of Parliament.

301. Have you had any difficulty in obtaining those returns?—Some companies have absolutely refused to make them, some neglect to do so, and there is frequently great delay. I do not speak especially of insurance companies, but of all companies. In several cases the accounts of two or three years have been returned at one time. After going on some years without sending any, they have sent in several at once.

302. When the returns have been made, have they been of such a nature as to give a satisfactory exhibition of the state of the company?—It is difficult to give a general answer to such a question; but I should say that many of the returns have not been satisfactory.

303. Would you say that the majority of them are such as to enable any ordinarily intelligent person, acquainted with accounts, to form a satisfactory opinion as to the real circumstances and condition of the company?—There are a great many unquestionably which are not of that character; whether the majority are satisfactory or not I am not prepared to say.

304. The question refers to insurance companies only?—I think the general character of the accounts of insurance companies is not so satisfactory as it ought to be.

305. Do you think they are worth anything as they at present stand?—For the purpose of forming a real estimate of the condition of the company, such an estimate, for example, as might furnish a safe basis for the calculation of a dividend or a bonus, I think very few of the accounts are satisfactory.

306. Is it the same account as they furnish to the parties interested in the company?—It ought to be the same account which they are required by the Act and by their deed of settlement to furnish to their proprietors. I have heard it stated that companies have, in some cases, furnished one account to the Registry Office and another account to the proprietary; but every such proceeding is decidedly a very improper evasion of the provisions of the Act.

307. Have you known such cases of your own knowledge?—Not of my own knowledge. I have heard it stated that that has been done.

308. You have never seen the two different accounts?—No.

309. Of course, if the other account had been circulated amongst the body of proprietors, there would be no difficulty in obtaining it if it existed?—I cannot say that I ever traced it in that way.

310. Have you any observations to make to the Committee with reference to the form in which you think these accounts ought to be made, in order to make them more satisfactory?—I should decidedly recommend, with regard to the accounts of companies generally, that the companies should be divided into classes, and that a particular form, applicable to each class, should be prescribed by authority for the accounts which are to be registered, and that whatever latitude the company might require for themselves with regard to the manner in which they keep their own books, at least they ought to prepare one account in the prescribed form for audit and registration. Speaking generally of all companies, I should say that every account so registered ought to consist of three heads. The first, which is, properly speaking, the cash account of the company, should contain the receipts and expenditure, beginning with the balance carried over from the last account, and ending with the balance to be carried over to the succeeding account. The next head should be the proper balance-sheet; that is to say, an account exhibiting on both sides, the several balances appearing on the different accounts in the company's ledger; and the third head should be an account, the form of which would necessarily be subject to modification according to the particular character of the company, exhibiting the assets and liabilities of the company at the date when the account is made up.

311. Then it is your opinion that if the Legislature continues to require an account at all, it ought to be not only an account in a more perfect state, but in a uniform state?—I think so.

312. Does not the character and the value of an account very much depend upon

upon the nature and value of the assets which appear on the credit side of the account?—Unquestionably; and also upon the principle upon which the value of the assets is estimated, as to which there is frequently great difference.

313. Are you prepared to recommend that any steps should be taken for the purpose of arriving at any estimate or knowledge of the value of the assets?—I think in the case of insurance companies it would be rather hazardous to insist upon an annual valuation of the assets, from the peculiar character of the business of such companies. I do not pretend to any minute knowledge of the subject myself, but it has generally been considered by those practically acquainted with it, that it would be attended with considerable trouble and expense to have an exact annual valuation of the assets of an insurance company. But I think there could not be any very serious difficulty in making annually such a statement as would exhibit the raw material (if I may so call it) of a valuation. It would not be attended with undue trouble or expense, and it would enable persons conversant with the subject to understand, as far as would be necessary for the purpose in view, the real condition of the company.

314. Does not each company, either annually, or periodically at least, incur the expense of such a valuation for their own purposes?—I believe that to be the case, but I am not personally conversant with these matters.

315. Must not those companies which give bonuses, and which derive profits, do so?—Unquestionably they must do so, periodically.

316. If they do not do it annually, but do it periodically, are you prepared to recommend that such a periodical account of a more minute nature should be returned and registered?—I think there could be no objection to the periodical accounts being registered, and I certainly should recommend it; but I should not on that account dispense with the registration of an annual account.

317. The periodical accounts might be valuable for periods of years, but the annual accounts might be a sort of key to the progress of the periodical accounts in the meantime, and therefore the annual account would have a value of itself, but which value would be considerably increased by its connexion with the periodical account?—Unquestionably.

318. At present a company may, without any intention, or at least without any proof of fraud, be committing a very great fraud upon the public by returning such an account as upon the face of it is a misrepresentation of their condition. Now, are you prepared to recommend that whatever form of account is adopted, it should be such that at least where persons did not contemplate the commission of a fraud, but made the return honestly, that return should show to those interested the exact state of the company?—I am; I think the account should contain all such general heads as should cause the different items to be so stated and distributed, each in its proper place, as that they would clearly indicate the truth of the case.

319. And you are of opinion that such an account, if made by persons who did not contemplate fraud, might be made without any undue interference with the minutiæ of business?—I do not see why it should not.

320. But still, are you not of opinion, that seeing that there would be no actual estimate of the assets given, and no means of proving their value, the public would yet be open to be defrauded by accounts even of that nature?—If nothing but the real facts were stated, I think that, at all events, persons who have any knowledge of accounts would not be very liable to be defrauded.

321. Supposing a company have invested their capital in securities which have become very much depreciated, and which may, in fact, have become worthless, but still they are not warranted in so describing them, as there has been no open repudiation of the debt; and although they are receiving no interest for their money, they may think that the day will come when the property will recover itself; in a case of that kind may not an account, which was made up including all those assets, be made to appear a very flourishing account, when in substance the assets comprised in the account may be worth nothing, and the company may be in an insolvent state; may not that happen?—It might, on the supposition that the assets were merely stated generally as assets; but if the nature of the securities on which those assets were invested were stated, of course any person acquainted with the value of securities would know what value to attach to them.

322. Are you prepared to recommend that we should go so far into minutiæ, as to require a statement of the character of the assets?—Unquestionably; if

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funds are invested in securities of different values, I think it important that those securities which so far differ in value, that a sum invested in one represents a different amount of available assets from that invested in the other, should be separately stated.

323. On the other side, with respect to the liabilities of the company, which, of course, must vary very much from time to time, according to the nature of the business done by the company, would you be satisfied with a general statement of the amount of their liabilities, without any inquiry into their nature and character?—By no means. I should clearly be of opinion that the statement of assets and liabilities should contain not only every individual asset, and every individual liability, but the assets and liabilities classed under different heads, according to their different characters.

324. Have you any recommendations to make to the Committee with reference to the amendment of the present Act, in order to make it more effectual for the purposes contemplated?—I have several. In the first place, before leaving the subject of accounts, there is a matter which I apprehend to be of considerable importance, though I am not sure that I am quite prepared to offer any conclusive suggestion upon it, but I should like to submit it for the consideration of the Committee, namely, as to the class of persons who ought to be appointed as auditors for companies. I confess it appears to me that there is considerable objection, in any case, to appointing any of the shareholders of a company to be its auditors. If some means could be adopted by which the services of persons qualified by professional training to discharge the duty of auditors of the accounts of companies could be secured for the purpose, I think an important point would be gained; and in that case I should make the circumstance of a person being a shareholder a disqualification. There is always a natural feeling in the breast of every person connected with a company, which inclines him to take as favourable a view of its condition as possible; indeed, in some cases, as for example, if the shares are in the market, it is the interest of every shareholder that the condition of the company shall be in as good repute as possible, and consequently there is a motive to conceal anything that may be wrong. Besides that, I think it is generally found difficult to get shareholders to take a firm or determined course in opposition to their directors if anything has gone wrong, until matters fairly come to an extremity. On the other hand, if you take a professional auditor, unconnected with the company, you escape the bias incident to the position of a shareholder, and you have the security of his feeling of professional responsibility for the fair and independent exercise of his duty as auditor. Therefore I think it would be an improvement if the employment of shareholders as auditors were prohibited, and some means adopted by which you could have a certain class of persons, accountants, actuaries, or other persons skilled in accounts of the kind, as the persons who alone could be appointed to perform the duty of auditing those accounts.

325. Would you suggest that the appointment of auditors should be made a duty of the Register Office?—Not of the Registry Office.

326. Would you suggest that they should be appointed by some responsible department altogether irrespective of the company itself?—I have not considered that question. I should hesitate before recommending that.

327. Would you think it essential that the auditors should be as much as possible independent of the directors?—Decidedly.

328. Do the observations which you have made apply to all joint stock companies as well as to insurance companies?—To all joint stock companies, but especially to insurance companies.

329. Has your attention been called to some cases in which, notwithstanding the auditing of the accounts, gross misapprehension has prevailed respecting the condition of the company: for example, was there not a bank at Liverpool where, a week after the accounts were audited, and a dividend of seven or eight per cent. declared, the bank stopped payment: has your attention been called to houses of that kind?—No. We have nothing to do with banks; they do not come under our notice at all.

330. With reference to a case of the description now alluded to, supposing an auditor went into the parlour of the bank, and had the books shown to him in which he might turn to any page he pleased, and that he found the balance correctly carried out, and that arithmetically the whole thing was right, and that the auditor did his duty as conscientiously as a man could do it, still do you

you think that the result of that audit could in all cases be relied upon?—There may be cases in which it would not be to be relied upon; but I doubt whether the auditor could be considered to have performed his duty by merely ascertaining that the accounts were arithmetically correct. I should think, that if there were anything fallacious in the mode of statement, it would be his duty to detect that.

331. But supposing there is nothing fallacious in the mode of statement, would not the nature of the bills and the securities which the banker has in his possession, form a very important item in considering the state of the accounts?—Undoubtedly; and the auditor might point out in his report whether there was a proper distinction drawn between assets, the value of which was certain, and assets which were subject to any kind of doubt; such, for instance, as depended upon the credit of individuals, as to which there could not be perfect certainty.

332. Mr. *Glyn.*] You said that the third account, which in your opinion ought to be returned, should exhibit the assets and liabilities of the company; would it not be necessary, in the case of a life insurance office, in making up accounts of that kind, that the liabilities upon the lives should be defined, and that some regular mode of calculating those should be determined before they could give an exact account of them; Must there not be some uniform calculation used by all offices, before you could get any uniform account showing the liabilities?—That is a question which I am afraid my practical knowledge of the special business of insurance does not enable me to answer. I thought only of a general statement. Certainly, such an exact estimate was not contemplated by me as coming within the requirement proposed, of an annual statement of the accounts.

333. How could your account, No. 3, which would show the assets of the company on one side, be at all a satisfactory account, unless the liabilities on the other side were defined according to some uniform rule by every office?—I should certainly have the assets and liabilities stated according to a uniform rule by all companies. But I should not carry into the account, except into a periodical account, the real determined value of such either of the assets or the liabilities as arise from policies and similar sources; I should have simply such a statement of the amount of the gross liabilities on the one hand, and premiums on the other hand, as would enable persons who understood the subject to form a general idea of the condition of the company.

334. Do you conceive that in making out the balance-sheet of an insurance company, a statement of the amount of gross liabilities on one side of the account, and of the assets on the other side, would give any fair criterion of the state of the office?—It would not be the proper account; it would simply serve as the raw material (if I may so express it), from which the true estimate was to be drawn.

335. Would it not be very raw indeed; would it not be almost impossible to get any result from it?—Perhaps it might; there would, of course, be periodical valuations in addition.

336. *Chairman.*] I understood you to say that the great value of that account would be this, that you would have a periodical account of a more minute kind, and that those intermediate accounts coming annually would be a sort of index of how the business was going on, as affecting the last periodical account, till the next periodical account was made?—Yes; that is my meaning.

337. Mr. *Glyn.*] Supposing an office returned its liabilities upon life policies to the extent of 500,000*l.*, that would of course be a very different thing from 500,000*l.* of actual liability. Then would not a statement of 500,000*l.*, as the liability of the office, be an unfair mode of stating it as against the office?—I should not state it as an actual liability.

338. In what shape would you state it?—I should merely state the fact that they had policies to the extent of 500,000*l.* I do not intend it by any means as an estimate of the actual liability of the company.

339. But practically, do you think that an account of that sort would be of the least use either to your office, or to insurers, or to the proprietors, or to the public, as showing the real condition of the company?—It would be of use as showing the business that is done.

340. As showing the quantum of business; but as showing the value of the business, would it give the slightest idea of what they were doing?—I cannot pretend to say.

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341. *Chairman.*] Will you furnish the Committee with the forms of account which you propose to be required?—I will do so.

342. If I rightly understand what you mean, it is this: that every five years, for example, or at certain periods, you would have an absolute estimate or valuation of the liabilities of the company, which would show the exact position of the company with regard to its real liabilities and its real assets, and then you would have intermediate accounts between those two periods, which would only show the very important facts of the amount of business that the office is doing, and the amount of expenditure at which it is conducted?—Precisely. I should explain with regard to this, that I by no means put it forward as a recommendation of mine that the annual statement should be limited in the manner in which I have stated; but, assuming that insurance companies generally would complain of being required to make a more exact estimate annually, I am willing to admit that they should be allowed to make up an annual account in this more imperfect form.

343. Mr. *Sotheron.*] Turning your attention to the periodical estimate, would it not be necessary that the principle of the estimate should be made uniform, and that it should be made to apply to all companies, in giving the return which you propose that they should make to your office?—That seems to me a difficult question, unless we were quite sure that the authority which was to prescribe the form of those accounts was one perfectly competent to direct what the proper form ought to be. I am not sure, for example, that the principle upon which the accounts of insurance companies ought to be made out, is one as to which actuaries are themselves agreed. If there is anywhere any accurately ascertained and clearly defined principle upon which the accounts of insurance companies ought to be made up, and if we could get hold of it, then I think it would be exceedingly desirable to require uniformity; but unless we are sure that we have got hold of the right principle, I am not prepared to recommend that all the companies should be compelled to make out their periodical accounts on the same principle.

344. Inasmuch as we know that the actuaries are not agreed upon this principle, would not that make it almost impossible to carry out your suggestion?—I do not suggest that the periodical accounts should be uniform. I should allow companies to make out the periodical accounts in their own way, as they have been accustomed to do. I would simply require an annual statement prepared according to a prescribed form, in which certain facts would be made to appear.

345. Then I understand you to propose that a periodical estimate, both of assets and liabilities, should be made out by each company, according to their own views?—I do not venture to suggest anything else; I do not feel that my knowledge of the internal arrangements of insurance companies is sufficient to warrant me in suggesting anything else.

346. But with reference to the annual return you propose, I understood you to suggest that a uniform principle should be laid down?—Yes.

347. Therefore you propose that this annual return shall be confined to a statement of the actual business transacted, and should not include an estimate of the real value of the assets and liabilities?—I should not absolutely require anything so minute as an estimate, but I should not have the least objection, if the companies were willing to undertake the trouble and the expense of making an annual estimate, that they should do so.

348. But supposing the companies to be averse to giving any more information than is actually required, you would not require more than a statement of the actual business transacted in the course of the year?—Precisely; and a statement of such of their assets and liabilities as admitted of exact statement; for example, money invested or borrowed.

349. Therefore you would require from each company every year, a statement of all their actual possessions, in whatever shape; but you would not require from them an estimate of anything which was contingent?—Precisely.

350. Would you, in that way, get anything like a true knowledge of the condition of the company?—Not an exact knowledge, but one sufficient for practical purposes.

351. In the case of an assurance company, is not a very large proportion of the assets clearly a contingent benefit or profit?—The premiums to be received are unquestionably contingent; that is, their actual amount at any particular time does not represent their real value; but at the same time the value is susceptible

susceptible of accurate estimate, I believe. But I must here repeat, that I am not minutely conversant with the nature of insurance business.

352. *Chairman.*] You would have no hesitation in saying that if any form of periodical account could be agreed upon by a body of actuaries, as the best that could be adopted by Government, it would be a great advantage to require such a form to be uniformly adhered to, in the returns made by the companies?—I think so.

353. Mr. *Ball.*] Do you conceive that it is practicable at present to lay down any basis for the valuation of life policies which should be imposed upon all companies?—That is a question which I do not feel competent to answer.

354. With reference to the periodical valuation or estimate to be furnished annually by every company according to your suggestion, are you able to inform the Committee whether, after life insurance offices have been established a certain time, supposing the amount of their business to be tolerably uniform, their liabilities do not tend very much to an average by new policies coming in to replace the old ones?—I cannot speak to that as the result of any examination of my own. I should say *à priori* that it would be so.

355. Then would not the object you contemplate be best effected by requiring an annual statement to be returned to your office, which should be open to the inspection of all persons who chose to see it, exhibiting the result of the last periodical valuation, together with a general statement of the amount of new business done since that valuation; would not that go nearer to furnishing the public with the means of testing the condition of the company than a general statement of the gross amount of business?—It might, as it would include one element of exactness, namely, an accurate estimate up to a certain point; consequently there would probably be in such a statement a nearer approximation to the exact truth than in a mere general statement.

356. But when you speak of that as an exact result, you admit that till a precise principle of valuation can be agreed upon it is only the estimate of the person who makes it, and its exact truth depends upon the correctness of the process by which he has arrived at it?—I must assume that the estimate is made upon a correct principle.

357. You are aware that actuaries do differ as to the principle of valuation?—I have understood that they do.

358. With regard to the assets, you propose that the particulars should be furnished of the amount of funds invested in each particular way?—Yes.

359. With regard to investments in mortgages, for example, would you require more than a statement that so much had been invested in mortgages?—I should think it sufficient to say in that case, "on mortgage of real estate."

360. With regard to the employment of professional auditors, can you inform the Committee whether the practice is now general of employing as auditors shareholders of the company?—It is very general; not universal, but certainly very general.

361. Supposing it were to be required that professional auditors should be employed, considering the large number of companies that exist, are you able to state whether the body is sufficiently large from which to obtain the services of competent persons?—I am not able to say, but I should think there would soon be a body sufficiently large. The fact that there was such a means of employing themselves would attract qualified persons to the employment.

362. Can you suggest any mode by which a public department should assure itself of the qualifications of such persons?—I have considerable doubts whether that duty should be entrusted to a public department.

363. Would you allow each company to select its own auditors?—Yes; leaving the check to be the professional reputation of the parties selected.

364. Then you would not require any particular qualification on the part of the person to be so selected, but you would have as a disqualification that he should be a shareholder?—As to requiring a particular qualification, I should be glad to do so if I could see my way clearly to it; if there were any particular body the members of which could be reasonably presumed to be persons qualified to be auditors, any class of persons regularly enrolled as a profession, as solicitors are, so that all persons belonging to that body might be presumed to possess the necessary qualifications, it might be required that creditors should be selected from that body.

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365. Mr. *Glyn.*] You would have the auditors selected by the shareholders, not by the directors?—By the shareholders, but not from among themselves.

366. *Chairman.*] By whom are the accounts signed which are now returned to your office?—The original accounts are required by the Act to be signed by two directors and by the chairman. The auditors' report is appended to them, and a copy of the whole is returned to the Registration Office under the signature of two of the directors and the seal of the company. The 35th clause of the Act requires the account to be signed by two directors.

367. You have stated what you think could be done so far as the amendment of the accounts is concerned; is there any other part of the provisions of the Act with respect to which you can suggest any improvement?—Yes. In the first place I would suggest, with regard to the original formation of companies, that a guarantee should be taken for the real *bonâ fide* existence of the company, by requiring that a certain proportion of its capital should be paid up and deposited, before the company is allowed to begin business. I think this suggestion bears with especial force upon the case of insurance companies. In the ordinary case of companies which require to incur large preliminary expenses before they can commence their business, there is a certain natural guarantee for the real existence of a *bonâ fide* company. There is no such guarantee in the case of an insurance company, which, strictly speaking, requires no capital at all. Therefore I should decidedly suggest that an artificial guarantee should be provided, by requiring that a certain amount of the capital of the company shall be paid up and deposited, as part of the assets of the company, before it is authorised to commence business.

368. Do you propose that any capital should be paid in the first instance when provisional registration is applied for?—I do not know that that is of much consequence, because in the interval between provisional and complete registration the company cannot legally enter upon any business.

369. But before complete registration, you would provide that a certain proportion of the capital should be paid up?—Yes.

370. Would you think it necessary to make any provision in the deed, as to the period when the whole or any further portions of the capital should be paid up?—I should think it necessary that power should be given to the directors, either of their own authority or with the sanction of general meetings, to make calls according as the business of the company required them, and that the conditions under which those calls were to be made should be defined in the deed of settlement.

371. In the case of a proprietary insurance office, do you think it is a sufficient guarantee for the solvency of the company, that the small amount of capital stipulated for in the first instance should be the whole capital paid up to meet the general liabilities of the business, or would you propose that a certain further portion of capital should be paid up within certain other limits of time, in order to form a sufficient guarantee fund for the liabilities of the company?—I should think that if the necessity for raising a further amount of capital after the company is formed could possibly be avoided, it would be desirable, because a large capital is an expensive thing to an insurance company, without being of much corresponding advantage; what I should wish would be simply to require a deposit sufficient to furnish a security that the company is composed of persons who can be safely entrusted with the funds paid into its hands. I should therefore propose that it should be made compulsory upon them to provide a guarantee of this kind.

372. On the part of the promoters in the first instance?—On the part of the persons to whom the certificate of complete registration is granted, the persons empowered to commence the business of the company.

373. Can you suggest any means by which the payment of such a fund could be ascertained or secured?—I would require it to be deposited in a bank in the name of the company, and to have it fenced with such provisions, that any attempt to make a mere illusory deposit should be punishable as a misdemeanor. I would have it provided, that immediately on the formation of the company, this sum should be placed to its credit as part of its assets, and, of course, if it were tampered with, it would involve the same punishment as in the case of tampering with any of the other assets of the company.

374. Do you think that you might require the same guarantee, which, I believe, the Stock Exchange require of the *bonâ fide* character of a company before

before permitting the shares to be dealt with, or before allowing a settling day on the Stock Exchange for those shares, namely, a receipt, a certificate from the company's banker, that he has actually in his possession a certain portion of funds which represent the paid-up portion of the capital; might not the same thing be required before you allowed complete registration?—Yes; a certificate that the sum deposited stands to the credit of the company alone.

375. The interest of that money would go to form part of the assets of the company, and to meet the payment of its liabilities?—Yes. In applying this suggestion to mutual insurance companies, which have no capital, I would propose that it should be made compulsory upon them to provide a guarantee fund, the amount to be fixed with a reference to the character of each company's business; thus, there might be one sum assigned for a life insurance company, another sum for a fire insurance company, and another sum for a marine insurance company; whatever the amount be, there are no other data for determining it, except the nature of the company's business.

376. You do not propose this fund as in any way a guarantee for the future liabilities of the company, but only as a security for the *bonâ fide* character of the company at its commencement?—That is the principal view; but I propose it also as a means of enabling the company to meet any contingencies which may arise in the early part of its career.

377. Mr. *Sotheron.*] Do you contemplate that that fund should be contributed to by all the shareholders equally?—No; I merely say that the company, before it gets its certificate of complete registration, must furnish such a guarantee fund.

378. Supposing that 10 persons, who are the managers of the company, contribute the sum, and put it in the Bank of England, who is to have the annual interest arising from that money?—The company itself would get the interest, and the parties who had contributed it would be entitled to such interest as had been agreed upon to be paid to them; the money would be a loan, or advance to the company by those directors, upon such terms as might be agreed upon.

379. Therefore supposing that 3 per cent., for example, was agreed upon to be the interest, each man would receive from the company 3 per cent. upon the sum which he contributed?—Yes.

380. *Chairman.*] Would you propose to make any provision for the repayment of the deposit, when the fund of the company had become such as to enable the company to form a guarantee of themselves?—Unquestionably. I should make a provision for the periodical laying by of a reserve fund, by means of which this guarantee fund might be extinguished.

381. Your only objects would be to secure the *bonâ fide* character of the parties who started the company, and to provide for the early liabilities of the company?—Yes.

382. Is there any other point upon which you would suggest any improvements in the present practice?—There are several points upon which, with reference to companies generally, I should suggest improvements in the Act; one which I think would be very desirable for preserving uniformity in the constitution of the companies, and also for diminishing the expense of their formation, would be to throw all the provisions of a merely general character, which are usually inserted in the deeds by which companies are constituted, into an Act of Parliament, on the principle of the Companies Clauses Consolidation Act; that the deed of settlement should merely contain the special conditions under which each particular company is formed; but that all the general rules with regard to general meetings, the appointment of directors, rotation of retirement, and other matters of that kind, should be made matter of general legislation.

383. Mr. *J. A. Smith.*] And that they should be uniform?—Of course they would be uniform if they were contained in one Act of Parliament.

384. *Chairman.*] Is not that the case very much in the Joint Stock Bank Act?—There are a few clauses in the Joint Stock Bank Act of that character, but not by any means to a sufficient extent; the principle is partially carried out in other Acts.

385. Have you any other suggestion to make of a general nature for improvement?—With regard to the penalties provided for enforcing the provisions of the Act, as matters at present stand the best proof of their insufficiency is, that in point of fact I believe not a single penalty has yet been recovered under this

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Act. In one or two cases attempts have been made by private parties to recover penalties, but I do not think that in any case they have been successful; there has never been any proceeding by the office itself. It appears to me, that the provision of penalties by an Act of Parliament, without adequate means of enforcing them, is of doubtful, or worse than doubtful utility. My suggestion would be, that it should be made imperative upon the registrar of joint stock companies to make a periodical report to the Board of Trade of all cases in which it had come to his knowledge that penalties had been incurred, and that the Board of Trade should have power to direct him, as part of his official duty, to take the necessary steps for recovering the penalties, or otherwise enforcing the things which have been omitted to be done; that it should not be left to private prosecution, but should be made the duty of a public officer, so far as it is proper to continue the penalties of the Act.

386. Would you suggest that in that case the power of prosecution should be confined to the Registration Office?—I do not think it should; because there are many cases in which the violation of the Act is a serious personal injury to individuals; and I would not deprive them of the right of prosecuting if they liked.

387. Mr. *Glyn.*] You stated that you wished to have a portion of the capital paid up before complete registration; you did not state what proportion?—In the case of a life insurance company, I do not think the sum paid up should be less than 10,000 *l.* The general recommendation that I should make, as applicable to all companies, would be one-tenth of the capital; but to guard that from evasion, in the case of an insurance company I would require that every life assurance company should have a capital of not less than 100,000 *l.*, and one-tenth paid up before registration.

388. Mr. *J. A. Smith.*] I understood you to say that your guarantee fund is to bear no relation to the amount of business done, or to be done?—I do not see how it could in the case of a mutual insurance company.

389. Might it not vary annually with reference to the amount of business?—The object of the guarantee fund is confined to securing, at starting, a real *bonâ fide* company, and also to enable the company to meet such liabilities that are likely to occur before there has been a sufficient accumulation of premiums to enable it to meet them. I do not see how a variable guarantee fund could be worked.

390. Mr. *Forster.*] In requiring a guarantee fund you think the important consideration is to have such a sum paid up as would prevent parties establishing companies on unsound principles?—Exactly. The principle of an insurance company being to begin by receiving considerable sums of money which are only to be repaid at a remote period, I conceive that the public are entitled to a guarantee of that kind before they are allowed to enter upon such a business.

391. Mr. *Chambers.*] Does not your observation apply rather to the case of a company formed for granting life annuities, where a large sum is paid at once to a company to secure the payment of a small annual sum during the life of the party, than to the case of a life insurance company, where small annual sums are paid in order to secure the payment of a large sum on the death of the party; or in other words, is there the same facility for committing profitable fraud, in the case of a life insurance company, which receives small sums to guarantee a future large one, as in the case of a company which receives a large present sum to guarantee future small annual payments?—It certainly appears to me that the facility for fraud is greater, in the case supposed, of a company which receives a large sum for the payment of small sums at a future period; but I do not think it can therefore be argued that there is no opportunity for fraud in the other case.

392. That being so, I understood you to say, that after all the importance which you attribute to the payment of a sum of money by way of deposit, is rather as a security to the public for the *bona fides* of the parties who originate the undertaking, than as a fund to meet very early claims which may come upon the company?—Both as a security for *bona fides*, and as a fund to meet early claims.

393. With regard to capital, do you, or do you not, think that the possession of capital by an insurance society is a mere burden to the society?—My knowledge on the subject is purely theoretical. I have conversed with many persons, and have read a good deal upon the subject, but I have no practical knowledge of the business of insurance companies. So far as I understand the subject, I

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am decidedly of opinion that in the usual sense of the word, capital is not necessary for an insurance company. The accumulation of the premiums which they receive ought to be, and eventually will certainly be, on the supposition of ordinary success and good management, sufficient to pay all the policies of the company. Capital is only necessary, as I understand it, at that stage of the company's business when the premiums have not accumulated to such a sum as to enable them to meet some of the contingencies that may happen, and probably will happen.

394. Taking a life assurance society; is not a society formed for carrying on the trade of life insurance insolvent in that character, as soon as any single claim is paid out of any other fund than the assurance premium fund; for instance, if it is paid out of paid-up capital?—I should hesitate to say so. If I rightly understand the question, it would come to this, that supposing a company formed this year for the purpose of insurance, to have received 1,000*l.* in the shape of premiums, and that for this 1,000*l.* they have contracted various liabilities in sums ranging, say from 500*l.* up to 5,000*l.*; let us suppose, what is perfectly possible, that one of the 5,000*l.* liabilities has fallen in, and become payable during the first year, of course then the company would be required to have recourse to some other fund in order to meet that claim. But I should not say that that was an insolvent company.

395. Taking the illustration you have given, can you feel the slightest difficulty in saying, that if the society had to make a payment out of a fund which was not the assurance fund, but a fund provided to meet emergencies, they would up to that time have carried on the trade of life assurance disadvantageously?—No; I doubt that. If you will allow me, I will explain the view which I take of this matter. I consider the principle upon which life insurance is conducted to be this: that a number of parties, among whom there is very great probability that there will be lives of very varying duration, combine together, each one renouncing his chance of the possible benefit of a long life, for the purpose of assuring to himself the certain benefit of an average life. When the premiums are calculated for the purpose of securing this benefit, the assumption is that, taking one with another, those parties will live for the average duration, and therefore the sum upon which the society count as enabling them to pay their policies is the accumulation resulting from the receipt of the premiums of all during the average period. No doubt, if there has been one heavy loss in the first year, they must have recourse to some other fund than their actual accumulations, in order to meet it, but it will be made good in the following years; a single year is an insufficient period from which to form a judgment whether a company is conducting a business of this kind at a loss or not.

396. A life assurance business is a business of this kind: certain annual payments are arranged for the purpose of securing ultimate sums in reversion; then if you can affirm with reference to any assurance society that the annual payments made to it are more than covered by the claims made upon it, is not the business carried on upon an unsound principle?—If that is the case during a series of years.

397. Therefore if the sums paid to it are intended to cover the claims made upon it, can a capital be of any use whatever, except for these two purposes: first, at the commencement of the society to ensure the *bona fides* of those who originate it; and, secondly, to pay the early preliminary expenses, which are heavy, and which there is at first no fund to meet?—And also to pay such losses beyond the sums accumulated as may occur in the early period of the company's existence.

398. Am I right in putting your answer in these words: that, strictly speaking, life assurance requires no capital?—I think so. I do not think the business of life assurance requires capital. The profits of life assurance do not flow out of the employment of capital, as in other cases.

399. *Chairman.*] Do not you rather mean that, in the long run, a life assurance office, to be successful, must be supported entirely by the premiums which are paid altogether independently of any capital; but that capital may be required for the purpose of carrying on the business in order to secure the payment year by year of those premiums, and to pay incidental losses?—Yes. I am not aware of anything in that statement which I dissent from.

400. In that respect capital is necessary?—Capital is necessary in order to prevent the contingency of any particular policy not being paid in full at the time

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when it falls due, or of the party being obliged to wait until a sufficient amount of profits have been accumulated to pay it, both of which would be inconvenient at least.

401. Mr. *Chambers.*] Are you aware that some of the most successful societies have commenced with no capital at all; for instance, the Equitable?—I believe it to be so.

402. Still, as a matter of prudence, the other is the more desirable course?—Yes. With regard to mutual insurance companies, I do not see how the company is to be worked without a guarantee fund; without such a fund there is necessarily an unfairness, I think, to those lives which fall in first; if you confine their claim to the funds which may chance to be in hand when the lives fall in, you are guilty, I think, of a breach of contract.

403. Can you charge your memory distinctly with any provision inserted in any deed of settlement of a mutual insurance society, confining the claimant under a policy to the fund which may be in hand at the time when the policy becomes a claim?—I believe there is such a provision in one deed; I am aware of the statement which has been made upon that subject, and therefore before coming here, I, to satisfy myself, examined the deeds of all the mutual insurance companies which have been registered in the office, and I have not been able to discover such a clause, except in the case of one company, and then I think it must have passed by an oversight; in some deeds no notice whatever is taken of the subject; the provision in the majority of deeds is that it shall be the rule of the company that a stipulation shall be inserted in every policy issued, limiting the liability to the funds of the company.

404. Are you of opinion that such a stipulation as that is inconsistent either with law or prudence?—Something will depend upon what precise meaning is attached to "the funds of the company." If by "the funds of the company," you mean simply the funds then in hand, then I think a limitation of the claim under the policy to them is not consistent with law or equity.

405. Taking it to mean all the available assets of the company, present and prospective, subject to prior claims?—I should say that there is nothing inconsistent with law or with equity in such a provision, but I could not say that it is not inconsistent with prudence; I am not so clear as to that; I do think that the suggestion of a guarantee fund is of the greatest advantage in order to obviate the necessity of throwing any insured party upon the prospective funds of the company; that is to say, of postponing his payment until future receipts come in. A guarantee fund is simply the borrowing of money by the company to enable it to pay at once a claim which it has come under an obligation to pay, but which otherwise it might not have the means of paying for a considerable time.

406. You would enlarge the security of a person insured in a mutual insurance society by a guarantee capital?—Yes.

407. Would you suggest that in the deed of a mutual assurance company there should be a covenant for the unlimited liability of every partner to make good the claims upon the company?—I should not think that would be a desirable way of arranging the matter; although I agree that the principle of the contract, where parties have adopted the principle of mutual assurance, is, that they shall guarantee to each other the amount assured.

408. You think that the stipulation of mutuality contained in the contract does not imply unlimited liability; that mutuality merely implies that what one does the other does, and that it is not necessarily involved in the term "mutual assurance," that we should mutually assure to the whole extent of our private fortunes?—No doubt the contract implied in mutual insurance may be modified by special stipulations; but the essential principle of it appears to me to be that the parties guarantee to each other the payment of the sum in each policy; in point of fact there is no risk in the matter, except that of being required to pay before the premiums have sufficiently accumulated.

409. Should you think it desirable that a party insured in a mutual assurance office should have the unlimited liability of all the others for the payment of his policy when it became a claim?—I should not wish that, if you gave me a guarantee fund.

410. Do not you think it would be the most discouraging proposition that could be made to offer to any man the increased security which he would get for the payment of his policy by such an arrangement at the cost of that increased

increased liability that he would incur for his whole fortune?—I have no doubt that many persons would be very unwilling to accept a policy of insurance under the condition of becoming liable for the whole amount of the policies of others; and for that reason, in order to avoid that, I should certainly press my suggestion of a guarantee fund as the most convenient mode of securing the rights of parties whose lives may fall in early, and at the same time saving the necessity of having recourse to such a responsibility.

411. Are you aware of instances having occurred in which claimants upon a mutual insurance office have failed to secure the payment of their claims?—I think there have been instances, in the case of one or two undoubtedly fraudulent companies.

412. Have there been any instances since the passing of the Joint Stock Companies' Act?—Yes.

413. Can you favour the Committee with any of the names and circumstances?—Having used the words "undoubtedly fraudulent," I feel a little difficulty in mentioning the names.

414. Are they still in existence?—No.

415. Were they insurance companies?—Yes.

416. Are you aware whether one of them was an office called the Sea Fire and Life Office?—That was one.

417. Do you know whether that office did any life assurance business at all?—I do not.

418. You do not know that its business was limited to the other departments of marine and fire insurance?—I am not acquainted with its history.

419. *Chairman.*] Did it profess to do the other business?—It professed to do all three branches. I was asked whether I thought there was anything contrary either to law or to prudence in a special stipulation limiting the liability under a policy. I wish to take the opportunity of saying that, with regard to a proprietary company particularly, I have a very strong opinion that the making such stipulations, until the Legislature thinks proper to adopt the principle of limited liability on grounds of general policy, should be declared illegal; in short, that limited liability should not be a privilege which might be secured to a company by its own act, but that it must be expressly given by an Act of the Legislature.

420. Would not a clause in a deed establishing a proprietary company, limiting the liability of the company, be struck out as illegal?—It would be struck out; but even if it were left in, I do not think it would be of much value.

421. In the case of a proprietary company, the proprietors are one party, and the policy holder is another; but in the case of a mutual assurance company all the parties mutually assure each other?—Yes.

422. Do you think that the rule of law, or of equity, or of prudence, which applies in the one case is utterly inapplicable in the other?—No; I think that a special provision limiting the liability in a mutual insurance company is inconsistent with the fundamental principle of mutual insurance.

423. You think that the very term "mutual assurance" implies a mutual unlimited guarantee?—A mutual guarantee of the amount in each policy held.

424. Are you aware that practically there are not in existence more than one or two societies with unlimited liability?—I believe so.

425. Are not the old companies all incorporated on the principle of unlimited liability?—I do not doubt that all the incorporated companies have a limited liability; but I believe that all, even those which are not incorporated on the principle of limited liability, have secured limited liability by a special stipulation, which has been held to be effectual.

426. Mr. *Ball.*] The principle which you advocate is, that life assurance companies should be recognised by law only on the terms of their giving an absolute guarantee to the persons who assure their lives for the amount of the policies?—Yes.

427. That is the principle upon which you object to allowing persons fully aware of what they are about from making a mutual agreement or contract by which they insure a certain sum to each other, that sum being secured only on the present or future premiums?—I have already stated that I conceive that any special provision declaring an extended liability, that is to say, an unlimited liability for the full amount of the policies, in the case of a mutual insurance company, would have the effect of preventing such a company from doing business.

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At the same time, I hold that such a liability partakes of the essence of the contract in a mutual insurance company; but, as a better and more convenient way of getting at it, I propose a guarantee fund, which is only, in fact, the company itself raising the necessary means in order to meet the liabilities to the parties, until the accumulations have been sufficient for the purpose. Of course I assume that in the progress of time the accumulations will be sufficient.

428. You recommended that the sum to be fixed by law as the guarantee fund should be 10,000 *l.* in the case of life insurance companies. Then you do not propose that the law should secure an absolute guarantee, extending over the whole of the property of the parties, but merely that it should secure a guarantee for a certain fixed amount, which may fall short considerably of the demands upon the funds of the company?—Still I think it would practically be sufficient. It may fall short, but if that sum is thought too small, of course a larger sum may be suggested.

429. That guarantee fund is merely to provide for a contingency which, as far as you aware, has never yet occurred?—I do not know of any instance of any registered company in which it has occurred.

430. Does it appear to you that, supposing the practice of life insurance hereafter should extend amongst the humbler classes in the country, they ought to be prevented by law, or, which comes to the same thing, by the great expense of obtaining a special Act of Parliament, from making a mutual contract upon the basis which appears to be now tolerated by law, of relying exclusively upon the payments, either actual or future, of premiums by assurers?—I think it very desirable that you should enable them to do so, provided you furnish an equivalent for the security which they would have by the liability of the parties themselves. If I have appeared not to have guarded my statement in that way, I have been misunderstood. The fundamental principle of mutual insurance is a guarantee by all the parties; and the form in which I think that principle is most conveniently worked out is by the provision of a guarantee fund until the premiums have accumulated so as to amount themselves to a guarantee fund.

431. Is not your recommendation applicable only to the practice of insurance amongst the wealthier classes, and to cases where companies are protected by capitalists; would it not, practically, altogether prevent the rise or spread of mutual assurance companies amongst the humbler classes?—I have not considered the question with that view. I might answer the question, but I could only give a hasty and ill-considered answer.

432. Mr. *Chambers.*] Several suggestions have been made with respect to the form of the annual balance-sheets; do you think that the value of the annual balance-sheet of a society would be increased, if to the statement for that year were appended the annual statements of the four or five previous years, so that they should appear in several columns, the last column representing the year in which the return was made; so giving at one glance a view of the progress which the society has made in its business?—That is to say, that each annual account should repeat the accounts of the three or four previous years; there could be no possible objection to that.

433. Do not you think that that would, at all events, increase the value of the annual balance-sheets?—I think it might, as showing at one view the relative position of the company at the present and former times.

434. The statement of a single year's account would be merely a statement of the receipts and expenditure for that individual year, and would not show the relation which those receipts and payments bore to the amount of receipts and payments in former years; but does not the relation which the receipts and payments of one year bear to the receipts and payments of former years constitute the whole value of an annual statement, when it is looked at as furnishing information with reference to the financial position of an insurance company?—I am not prepared to say whether it constitutes the whole value, but it certainly forms a very important element in the value of the account.

435. You are inclined to think that a statement, even of the receipts and payments of one year, is of some value?—Decidedly, as showing the progress of the company.

436. In speaking of the number of offices completely registered, I understood you to say that, with regard to provisional registration, you thought that no notice should be taken of that?—Not exactly that. I said that I did not think provisional registration was a matter to which much importance should be attached;

attached; that the fact of provisional registration in any case was not one from which inferences of much weight could be drawn.

437. Are you not aware, with regard to provisional registration, that often the same project or speculation, assumes two or three, or more different names, under each of which it is provisionally registered at different times, and that therefore every entry in your book of provisional registration does not, necessarily, ultimately represent one company?—Certainly, that is the case.

438. Supposing 99 out of every 100 assurance societies which are provisionally registered to fail, do the public suffer at all any loss whatever from that?—Supposing them never to have come the length of complete registration, the public ought not to suffer. I believe it is the fact, however, that many companies have illegally commenced business before being completely registered.

439. Are you aware of any instance in which an insurance company has issued policies before it has been completely registered?—I have been shown advertisements and prospectuses of companies announcing that they were conducting business, and issuing policies, when I knew unquestionably of my own knowledge that they were not completely registered.

440. They are qualified to issue a prospectus after provisional registration, are they not?—They are qualified to issue a prospectus relative to the formation of the company, but not to state that they are doing business.

441. Then when you state that you know an instance of a company not completely registered issuing policies, do you mean merely that you saw a prospectus, stating that the company were in a condition to do business?—From the nature of my office I frequently see parties who come to make representations as to what is doing in connexion with joint stock companies; sometimes to make a complaint, sometimes to ask advice. What I mean is, that there is a decided impression upon my mind, so that I am able to state it as a thing which I believe to be a fact, that I have frequently been credibly informed that companies which have only been provisionally registered, have actually been conducting business as insurance companies.

442. Has that happened in several instances?—In more cases than one.

443. With regard to those instances, are you aware whether or not the policy holders were defrauded in any way?—I cannot tell the subsequent history of their proceedings.

444. Do you know any example of a claimant on a policy failing to obtain the amount assured from any society provisionally registered?—I do not.

445. You say that 135 insurance companies have been completely registered from the passing of the Act up to 1852, and that out of those 83 are now in existence; can you state what has become of the others?—Nineteen are dissolved.

446. Have you an official notification of that fact?—We have either had an official notification, or we have had such evidence that it was unquestionable: we send twice in every year a circular to every company, calling upon them to make certain returns; in the case of some companies the circulars sent have been returned by the Post-office, with the remark, "Gone away; left no address;" when that has happened once or twice, we think ourselves warranted in assuming that the company is no longer in existence.

447. Has that ever happened, within your knowledge, with reference to an assurance association?—I think so.

448. Are you prepared to charge your memory sufficiently to say, that with reference to any assurance society completely registered under this Act, you have ever had your circulars returned because the offices of the society could not be found?—I can almost with perfect confidence say, Yes. This statement which I hold in my hand was prepared since the last meeting of the Committee, and in going over the books, when I took down the number of companies dissolved, I have a very strong recollection that in some of the cases I call the company "dissolved," because I saw that the circulars had been returned in that manner.

449. Can you add to the return which you are going to make the number of instances in which you are able to speak pretty confidently to that fact from the information in your office?—I will do so.

450. What is the form of notification of dissolution; is it connected with any expense to the companies?—There is no form prescribed in the Act; the Act is silent upon the subject of dissolution; we usually require that in the case of a

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company being formally dissolved by resolutions of a general meeting, a copy of the resolutions shall be registered, and that the final balance-sheet shall also be registered before the company is considered at an end; but we have no authority to enforce it.

451. If a society expires it ceases to be subject to the Registration Act, just as if a person expires he ceases to be subject to the general laws of the land?—According to the terms of the Act, the company continues incorporated till it is dissolved, and its affairs wound up.

452. Have you any knowledge what has become of the companies which are said to be dissolved; can you state how many of them have amalgamated with other companies?—A few have; one company dissolved itself because it had made an unsuccessful attempt to change its name. That was the case in which it was decided by the Court that a company could not change its name; and it then dissolved, with the view of forming itself anew under another name.

453. Have you any knowledge of new companies having been purchased by the old companies before the Registration Act?—No, I have no knowledge upon that subject.

454. Do you know of a single life insurance company which has ceased to exist, because it was not able to meet its claims?—There is one life insurance company which has been, and is now undergoing the process of winding up in the Court of Chancery; I have been informed by its solicitor that it is winding up.

455. Is that the only example that you can name?—It is the only company that I can venture to name at present.

456. Do you think that the Joint-stock Registration Act requires amendment in reference to assurance societies, and that if amended, the amendments should bear especial reference to assurance societies?—I think so.

457. From your experience, are you prepared to say that any frauds have been perpetrated upon the public in connexion with assurance societies, which call loudly for the amendment of the Joint-stock Registration Act with reference to them; do you know of any frauds perpetrated upon the public with reference to assurance societies?—I know of cases in which I have very little doubt that there have been frauds committed in connexion with assurance companies.

458. In what form have those frauds been committed?—The company, in the first place, was formed of parties who had no right to become members of such an undertaking; persons whose responsibility for the sums set against their names was merely nugatory, and it resulted in the parties who had become insured receiving no payment. But those matters do not come specially before me.

459. If the Joint-stock Registration Act is to be amended with reference to assurance associations, are you of opinion that the provisions of the Act should be applied to all assurance associations, ancient or modern?—I think it would be very desirable that all assurance companies should be included within the Act.

460. Mr. *J. A. Smith.*] In the event of the issue of a policy previously to complete registration, does that affect the legal remedy of the insured?—I think it does. I do not think that a policy issued before complete registration gives a good claim against any others than the parties who sign the policy.

461. Mr. *Chambers.*] Take the case of parties not completely registered, would the claim of a party, whom they employed, to remuneration under their contract with him, depend upon the society being completely registered?—Not at all.

462. So, with reference to the contract of insurance, would the existence of a remedy upon that depend upon the complete registration of the company, or would the form of the remedy only depend upon that?—Not the form of the remedy only, but the persons against whom the remedy is to be had. I think a policy of insurance granted before complete registration, could only be made effectual against the parties who sign the policy.

463. *Chairman.*] In fact they can only act as individuals till they are registered, till the company exists?—Yes; they have no power to bind the company.

464. Mr. *J. A. Smith.*] Am I to infer from your recent answers, that you would suggest a different form, or different provisions in the Registration Act, with reference to assurance societies, from what you would recommend for other companies?—I think I should suggest some special provisions in reference to assurance societies.

465. You do not mean to have two Acts of Parliament?—It does not appear to me that that is necessary.

466. Mr. *Cowan.*] Do you conceive, then, that there is danger to the security of the public from other companies as well as life insurance companies not having some guarantee fund provided and paid up?—I do not think there is the same danger. I think other companies are more like private commercial partnerships; and contracts entered into with them are, generally speaking, of more limited duration; transactions for the purchase of articles, and dealings of that kind; persons who deal with such companies, are not specially interested in their stability.

467. With regard to life insurance companies, and marine insurance companies, conducted as they may be upon the principle of mutual insurance, do you conceive that there is the same, or anything like the same, necessity for having a paid-up capital?—I think it is desirable in every case that there should be such a capital paid up; it is no hardship in any case, and it is desirable, I think, in every case. I decidedly think that a certain amount of paid-up capital is particularly desirable in the case of an insurance company, on account of the peculiar nature of its business.

468. Are you of opinion that, supposing the law had been in accordance with the views you have now indicated, requiring 10,000 *l.* to be paid up before the complete registration of an insurance company, the number of life insurance companies established since the passing of the Act would have been very materially diminished?—Whether materially or not I cannot say; I think they would have been diminished; I think companies have been formed which would not have been formed if 10,000 *l.* had been required to be provided before they got complete registration.

469. Mr. *J. A. Smith.*] Are you aware that a very large amount of marine insurance is done in London by companies which have their head-quarters out of England, and therefore do not come under the Registration Act at all?—I am not aware of the fact.

470. You have no suggestion to make with reference to them?—No.

471. *Chairman.*] Is there not a very striking distinction between societies for life insurance and other insurance societies in the fact, that the risks incurred for the premiums given in the case of marine insurances and fire insurances are limited to a very short period, and therefore the result is capable of being known in a very short time; whereas the risks involved in life insurances have a very long and indefinite period to run, therefore involving risks of a totally different character from those which other companies involve?—There is a very decided distinction indeed in that respect; one which I have felt so much that I have taken the liberty to recommend in another quarter that one particular class of insurance companies, viz., those marine insurance companies which are very common in the North of England, where the contract is entered into simply for a year, should in any future Act be relieved from the necessity of being registered at all, the requirement being very burdensome to them without being of any corresponding benefit; indeed, there being no necessity for it. I refer to those clubs where shipowners mutually insure their ships and cargoes without making any payment by way of premium, but simply upon an agreement to contribute in specified proportions to such losses as may occur.

472. Mr. *Forster.*] You have stated that you are aware that some old established life insurance companies commenced without a guaranteed capital; but are you aware that those companies were established long before the practice of getting up life insurance companies upon speculation came into fashion?—Yes, I believe so.

473. And you consider that the requirement of a guaranteed capital has become necessary, in consequence of this system?—One of the necessities which I stated of course arises from the peculiar temptation which exists to establish insurance companies which are not really trustworthy; the business is so easy to enter into, that there is a temptation to untrustworthy persons to attempt to do it; but the other ground of necessity for establishing a guarantee fund, viz., that of providing for possible liabilities which may occur during the early period of the company, must always exist. Of course there are special cases in which a company may, by exceedingly good luck, escape those liabilities, and it may go on without ever requiring to touch its guarantee fund. That is conceivable; I am not prepared to say that it has not happened.

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474. Mr. *Chambers.*] Are you prepared to say that any single instance has fallen within your own knowledge, in which a payment has been made upon a claim under a policy which has come out of the guarantee fund?—I think it could be shown in some of the accounts which have been printed, that there have been payments for losses, which could not have been made otherwise than out of the guarantee fund.

475. Do you mean that the payments for losses on the annual statements made by the society appeared to be greater than the whole amount of premiums received?—The payments for losses and on other accounts.

476. Can you lay your finger upon a single instance that has occurred with reference to any registered assurance company, where the losses in any one year have exceeded the amount of premiums received in that year?—I cannot.

477. Mr. *Forster.*] You have stated that 19 companies have been dissolved; the circumstances of their dissolution I presume do not come before you?—We cannot require them to come before us. Sometimes the resolutions of the meeting which has agreed to dissolve the company are registered with us. We try to get them when we can; but we cannot compel the parties to register them.

478. You were asked whether you were aware of any insurance company having failed to fulfil its engagements to the parties assured. Have you any doubt that several out of those 19 companies have been dissolved for the purpose of avoiding eventual bankruptcy?—Without pretending to be certain upon the subject, but forming the best judgment that I can from all the elements before me, I am of opinion that the majority of those 19 companies never were trustworthy.

479. That, in fact, they had been founded on fraudulent or unsound principles?—Either on fraudulent or unsound principles.

480. Does it not follow, that if they had continued recklessly to go on without dissolving or parting with their business, losses would have been sustained by the public?—I should say that it is a matter of absolute certainty that an insurance company founded on unsound principles must occasion losses at some time or other to the public.

481. Mr. *Chambers.*] Supposing those 19 societies had been founded on unsound or fraudulent principles, and supposing the public had therefore refused to purchase life assurance policies of them, would not the societies have expired from inanition without the public being losers?—If no person took a policy from them, of course they would expire from inanition.

482. Can you state, with regard to any one of those 19, that they did issue policies to any one?—I cannot speak to the internal history of the companies.

483. Then your former answer was given upon a hypothetical case, and of course you would not wish any inference to be drawn from a hypothetical answer, which may turn out to be groundless in point of fact?—I should be sorry that my answer upon a hypothetical case should be taken as a categorical answer; but I have no hesitation in repeating what I said with reference to those dissolved companies, that, taking their character, and looking at the sources of information which I have had, I have a belief, approaching very nearly to certainty, that the impression upon my mind that the large majority of those 19 companies never were trustworthy is strictly well founded.

484. But the question is whether the public have suffered by the non-payment of the policy-holders in connexion with those companies?—I understand that there have been cases in which they have suffered; but upon that point I do not give my answer with the same certainty.

485. *Chairman.*] Have you any doubt that those companies did a great deal of business in one way or other?—It is my decided belief that they did.

486. With regard to the questions which have been put to you with respect to losses sustained by individuals upon policies, you have no special knowledge upon that matter?—Not only so, but being placed where I am, I am probably likely to be less informed than many others. People would naturally conceal facts from the Registration Office.

487. Are the Committee to understand that the answers which you have given with regard to the non-existence of fraudulent transactions, or disappointment in the payment of policies, have any weight attached to them from your official position?—Not at all.

488. You are simply in the position of a person who may or may not hear the rumour of a loss; but the loss may, nevertheless, exist without your hearing of

of it: you have no official means of knowing the description of the transactions of those societies?—No; it by no means follows from my ignorance of such cases that losses have not been incurred; very far from it. Mr. G. Taylor. 11 April 1853.

489. Mr. *Forster.*] Have you observed that some companies which have been set up have been promoted and got up by parties who have established more companies than one?—Certainly there have been cases of that kind. There are persons whom I know by head-mark as a sort of traders in the formation of insurance companies, or companies of a particular kind.

490. Mr. *Chambers.*] You say that your position as Assistant Registrar furnishes you with no facilities for acquiring better information upon this subject than the public have; and that, indeed, to some extent, it is a disadvantageous position in that respect; does that remark apply to the Registrar himself as well as to you?—I presume so; I know of no means that the Registrar has of knowing these things which I have not.

491. *Chairman.*] Nevertheless he may have information upon the subject which you have not?—Of course he may have.

492. Mr. *Chambers.*] With regard to the 19 offices which you say have been dissolved, are you sure that they are all life insurances offices?—No; they are insurance offices of all kinds.

493. How many were life insurance offices?—I cannot state that; I will ascertain it. There are insurance companies of various kinds registered, of which I shall furnish a list.

Lunæ, 18° *die Aprilis*, 1853.

MEMBERS PRESENT.

Mr. Wilson.	Mr. Freshfield.
Mr. Sotheron.	Mr. Danby Seymour.
Mr. Cowan.	Mr. Thomas Chambers.
Mr. Glyn.	Mr. J. A. Smith.
Mr. John Ball.	

HENRY THOMAS SUTTON SOTHERON, Esq., IN THE CHAIR.

John Tidd Pratt, Esq., called in; and Examined.

494. *Chairman.*] WILL you be so good as to tell us what your office is?—My office is Registrar of Friendly Societies in England. J. Tidd Pratt, Esq. 18 April 1853.

495. What is the largest amount of assurance which by law can now be made under the Friendly Society Act?—By the 13 & 14 Vict. c. 115, s. 2, no society can now be established which assures a sum exceeding 100*l.* at death, or an annuity exceeding 30*l.* per annum, or a sum in sickness exceeding 20*s.* per week.

496. Before that Act passed, what was the amount of assurance payable upon death which could be made under the previous Friendly Societies Act?—All the Friendly Societies Acts were consolidated in 1829 by the 10 Geo. 4, c. 56. Under that Act there was no limit whatever as to the amount, and all policies under that Act were exempt from stamp duty, and the societies had the power of investing their funds with the National Debt Commissioners. But by the 3 & 4 Vict. c. 73, the exemption from stamp duty, as well as the power to invest with the National Debt Commissioners, was taken away from any society which assured to any individual a sum exceeding 200*l.*; and subsequently, by the Joint Stock Companies Act in 1844 (7 & 8 Vict. c. 110, s. 2), the provisions of that Act were to apply to all friendly societies which insured for a sum exceeding 200*l.*; so that virtually from the year 1844 the limit was 200*l.* up to 1850, when the Act of Victoria limited it to 100*l.*

497. Therefore, between the year 1844 and the year 1850 assurances might be effected in friendly societies to the extent of 200*l.*, and all offices which granted

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assurances above 200*l.* were required to be registered under the Joint Stock Companies Act?—All offices which were established after 1844 were obliged to be so registered; but those societies which had been enrolled previously to the passing of the Joint Stock Companies Act were still at liberty to assure to a larger amount than 200*l.*, provided they paid their stamp duty, and did not invest any subsequent amount with the National Debt Commissioners.

498. Do you consider friendly societies which make an assurance for a sum payable upon death to be in the nature of assurance associations?—No doubt of it.

499. But under a particular law, in consideration of their being applicable to the poorer classes of societies?—Yes.

500. Do not you consider friendly societies to be in fact assurance associations intended for the benefit of those who are not wealthy enough to assure for themselves in the larger companies?—Certainly.

501. Are you aware whether any societies established under the Friendly Societies Act have granted assurances to a higher amount than 200*l.*?—No doubt; several societies have.

502. What is the provision of the Joint Stock Companies Act with regard to the amount of assurance?—The second section of 7 & 8 Vict. c. 110, enacts that it shall apply to every joint company, &c., except banking companies, schools, and scientific and literary institutions, and also friendly societies, loan societies, and benefit building societies respectively, duly certified and enrolled under the statutes in force respecting such societies, other than such friendly societies as grant assurances on lives to the extent hereinafter specified, that is, exceeding 200 *l.*

503. Certain friendly societies, having been established under the Friendly Societies Act, have granted assurances to a greater amount than 200*l.*?—Yes.

504. Before what date were those societies established?—Those societies were established under the 10th of Geo. 4, c. 56.

505. Since what period has it been impossible for any newly established friendly society to grant any such assurance?—Since 1844, unless they were registered under the Joint Stock Companies Act.

506. Do you know whether any friendly societies have also been enrolled under the Joint Stock Companies Act?—There have been a few societies which have been so enrolled; they insure to the amount allowed under the Friendly Societies Act; and I believe that they carry on their operations beyond that amount under the Joint Stock Companies Act.

507. Do you know whether any such friendly societies have, in fact, two departments carrying on business, the one under the Friendly Societies Act and the other under the Joint Stock Companies Act?—Yes, there are some few; three or four.

508. Mr. *Freshfield.*] In speaking of the sum beyond which friendly societies cannot insure, you confine it to insurance upon death; but there may be consequential insurances much beyond 200*l.*; as for instance, the insurance of a reversion of 10*s.* a week after a certain period; the value of that would much exceed 200*l.*?—If it is an annuity, it must not exceed 30*l.* a year, whether it is a present annuity or a reversionary annuity.

509. Mr. *Ball.*] With respect to friendly societies which act in that capacity under the Friendly Societies Act, and also as assurance offices registered under the joint Stock Companies Act, do they draw upon the same funds for those two classes of business, or are the funds kept distinct?—I cannot state what the fact is in that respect. They send the rules to me, which I certify with regard to their operations under the Friendly Societies Act. With respect to the joint stock companies' deed, which is enrolled and registered under the Joint Stock Companies Act, I never see it, and know nothing about its contents.

510. As far as they apply themselves to life insurance, in what way do you distinguish friendly societies from mutual assurance associations?—In no way whatever, except as to the amount which they can insure.

511. There is no other distinction?—No other distinction.

512. Do you officially receive information as to the mode in which the business of friendly societies is conducted?—No, except what I collect from the returns sent to me.

513. Of

513. Of the management of their business?—So far as relates to receipts and expenditure. The last Act of Parliament requires a schedule to be sent round to every friendly society. When I certify their rules, I enclose a copy of the schedule to be filled up, which the officers are bound by the Act to return to me, showing where their funds are situated, what amount of sickness they have had, what the amount of their subscriptions has been, and what they have paid for sickness, and for deaths with other particulars; in fact, a balance-sheet.

514. Are separate accounts kept by those societies of the business with reference to life assurance, and of the payments made to members for sickness?—There are rules providing that each account shall be kept separate.

515. Therefore you have an opportunity of ascertaining the way in which they conduct their business as far as relates to life insurance?—Only as I have before stated.

516. Have you received any information as to the failure of such societies to discharge the obligations which they had incurred?—Yes, but not officially; the time at which they generally fail is from about 15 to 20 years after they have been first established. It is only since the year 1850 that the Act of Parliament has authorised me to require those returns; therefore the official information which I have upon that head can be of very little value.

517. During the period which you have stated, how many friendly societies have failed to fulfil their obligation?—I cannot answer this question, as I have no correct information. No doubt, during the last 25 years, a very large number have been broken up.

518. But you have trustworthy information respecting the friendly societies?—I have; and although it is not compulsory upon societies to give me this information, I generally insert in the rules that if the society is dissolved, or if they remove their place of meeting, they shall give me notice. I insert this rule in order to get information upon the subject.

519. Does there appear to you anything unsound in the way in which they conduct their assurance business?—In the case of a very large majority of them, their tables are never certified by an actuary, and therefore there are no data upon which they go, in my opinion, to insure their solvency.

520. Do the tables used by them come under your inspection?—No. Under the last Act of Parliament there is a distinction made between what is called a certified society and a registered society. A registered society does not require the certificate of any actuary. A certified society requires the certificate of an actuary. A certified society is entitled to invest its money with the National Debt Commissioners at a certain amount of interest, and in the case of the death of a party insured for an amount under 50*l.* there is no occasion to take out letters of administration; so that if a society is not a certified society, they are not obliged to go to an actuary. I should say, that since the passing of this Act of Parliament, out of perhaps between two and three thousand societies which I have certified, there are not twenty that have had their tables certified by an actuary.

521. And therefore there are not twenty which enjoy the privileges or which offer the security that a certified society does?—No.

522. Are you of opinion that any legislation is needed upon that subject, in order to require that friendly societies, which discharge the business of life insurance, should be certified by an actuary?—I think that there has always been, ever since I have had any knowledge of these societies, which is now more than 25 years, the greatest difficulty in compelling them to have their rules certified by an actuary; and one great difficulty which arises on this point is, that in order to have their tables correct, the tables should be formed, either according to the age, or in quinquennial periods; but more than one-half of the ordinary benefit societies have adopted the plan of admitting members from the age of 18 to 45; they like to have, and they will have, one single payment for all between those ages; they do not understand one man paying so much a year, according to the age at which he insures, and another man paying so much a year, and they will not do it. Under the late Act there was a power given when I received certain returns of the rate of sickness and mortality, that I should apply to the Treasury to have those returns properly investigated, in order that tables may

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be formed for the benefit of the members of friendly societies. I think the perfect returns I have received comprised 300,000 individuals, during five years; so that they will show the rate of mortality and sickness of nearly a million and a half of persons; I accordingly applied to the Government last November or December. The work has been placed under the hands of Mr. Finlaison, the Government actuary, and at this moment I should think there are from 18 to 20 persons under him employed in tabulating those returns. It is supposed that in the course of three months they will be ready. My opinion is, that they should be printed and circulated all over the kingdom, which will be the best way to lead societies to adopt tables, because they will be able to obtain them without any expense, and have greater confidence in adopting tables founded on these returns.

523. Is it your opinion that the results of the new tables which are now in the course of construction will be very much superior for the purposes of the class of persons we have now under consideration than the old life tables, as a basis for the calculation of life insurance?—I can hardly give an opinion as to the basis of calculations for the upper classes for which the large insurance societies are formed; but the class of persons for whom friendly societies are formed would, I think, have a great deal more confidence in tables which were prepared in that way than they would from tables obtained from other sources.

524. Your statement with reference to the tables now in course of construction, includes both tables for sickness and tables for mortality?—Certainly.

525. To which of those two tables as existing at present does the answer you have given apply, or does it apply to both?—It applies principally to sickness, because the sums which generally those parties insure for death are so very small; generally not more than 5 *l.* or 10 *l.*

526. But as far as those returns which you have received convey information as to the rate of mortality of that class of members of the friendly societies, will not they afford a more certain basis for calculations of life assurance for that class than the ordinary life tables which have been in use by the higher class of life insurance societies?—I think they are far better returns as affecting that class than ever we have had before.

527. Are you of opinion that the reluctance shown by the managers of friendly societies to become certified societies under the Act, arises from an apprehension that it would introduce complication into their accounts; or does it arise from any trouble and expense attending the process of obtaining a certificate?—I think both; the expense in the first instance; and in the next instance, they object to the tables being formed, except by taking an average and having a uniform rate, or by divisions of ten or five years.

528. Although as respects individual members a uniform payment may be a very unjust mode of obtaining life insurance, yet, as far as the solvency of the society is concerned, may not an average payment be fixed upon by them which may be sufficient to guarantee the ultimate solvency of the society?—Yes.

529. In point of fact, have you reason to believe that, generally speaking, the average payment which is fixed is sufficient to secure the ultimate solvency of the society?—I am not competent to give an opinion upon that point; that is rather a matter for an actuary to speak to. I can only say that many actuaries have certified tables at one rate of payment, from the age of 18 to the age of 45.

530. There is no doubt that some rate may be fixed that would secure the solvency of the society; can you tell the Committee whether you think that the rates fixed are sufficient to prevent those societies hereafter becoming insolvent?—I do not know what they may become hereafter; I am sure that there are a great many public-house benefit societies adopting rates now which are not at all equal to what they ought to be.

531. Mr. *Freshfield.*] You are aware that the question, whether the premiums paid by the lower class of persons are sufficient or not, must depend in a great measure upon the means of investment of those sums to meet the claims upon the society?—Yes.

532. Have not many friendly societies experienced considerable difficulty in acting upon their old tables after the Government altered the rate of interest?—A great

—A great many. The greatest difficulty I have had is in answering questions upon that point, as to which course the society should pursue.

533. Is it within your experience that many of those societies must, in the course of time, have failed, but for the amount of honorary contributions which they have received?—Certainly.

534. You may make any tables sufficient if you can get honorary contributions to a sufficient amount?—Exactly; any tables will do then.

535. *Chairman.*] Will you be so good as to tell us in a few words, what is the difference between certified and registered societies as to the privileges which they respectively enjoy under the last Act. A certified society is a society the tables and rules of which have been certified by an actuary?—Yes.

536. A registered society is a society of which the rules and tables have been drawn up by some person not being an actuary?—Not certified by an actuary.

537. What are the advantages and privileges which the Act grants to a certified society above those of a registered society?—The two privileges are, first, that the certified societies may invest their funds with the National Debt Commissioners, and receive interest at the rate of 3*l.* 0*s.* 10*d.* per cent. per annum, and the other privilege is that the payment of sums not exceeding 50*l.*, when the members die intestate, may be made to their next of kin without taking out letters of administration.

538. Is there any privilege granted to the one society rather than the other with respect to stamps?—No.

539. The remission of stamps is common to both?—Yes.

540. Is there any difference between the two with regard to the payment of moneys owing to the society by the executor of a person who dies indebted to the society?—There is no difference as to that.

541. Such sums are equally payable to both?—Yes.

542. Is there any difference between the two with regard to the mode of investment other than the National Debt Commissioners?—No; the provisions for investment contained in the 12th section apply equally to all societies.

543. Is there any difference with regard to the mode of settling disputes?—None.

544. Is there any difference with regard to the mode of appointing trustees or carrying on the business?—Not any.

545. Then I understand you to say that the two privileges granted to certified societies above registered societies are these, that a certified society has the power of investing with the National Debt Commissioners at 3*l.* 0*s.* 10*d.* per cent. per annum, and it has also the power of paying money under 50*l.* to the next of kin without letters of administration when the party dies intestate?—Yes.

546. Under the Act of the 10th of Geo. 4, there was no such distinction between registered and certified societies?—No.

547. All societies enrolled under that Act were equally admitted to all the privileges of the Act?—Certainly.

548. Were any privileges besides those now granted to certified societies granted by that former Act of the 10 Geo. 4, to enrolled societies?—No, with the exception that, under the 10 Geo. 4, they might have insured to any amount; they are now limited.

549. Was there not originally a privilege granted with regard to nomineeship?—Not by the 10 Geo. 4; that was by the 4 & 5 Will. 4, c. 40.

550. What is the privilege of nomineeship?—The 4 & 5 Will. 4, s. 2, authorised societies to be formed for the mutual relief and maintenance of the members, their wives, children, relations, or nominees, in sickness, infancy, &c.; and then the 9 & 10 Vict. c. 27, authorised societies to be formed for the lawful insurance of money to be paid on the death of the members to their husbands, wives, or children, kindred, or nominees.

551. In fact, do you not know that this power of nomineeship, as it is called, is very highly valued?—Decidedly.

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552. Have you not heard that there has been some complaint against societies formed as friendly societies, and possessing the privileges which you have now mentioned, when in truth they have become practically insurance offices for large transactions?—Yes; it is evident from the Report of the last Committee on the Friendly Societies Act.

553. Confining yourself now to those societies which have been formed under the Friendly Societies Act, and which have subsequently been registered under the Joint Stock Companies Act, for a separate department, and which without being so registered could not have carried on transactions above the limits of the Friendly Societies Act, do not those societies possess beyond all assurance offices the privileges which you have now mentioned?—Yes, no doubt of it.

554. Is not that an advantage as to which it is a matter of complaint that it should be granted to one set of offices and not granted to other, which in truth stand nearly upon the same footing?—It is a complaint made; but I do not think they exactly stand in the same position, because an office that has not that privilege, like one established by charter or Act of Parliament, has the power of investing their funds in any way they think fit. Now, under the Friendly Societies Act, certain restrictions are placed upon the investment of the funds, which, I think, operate very much against those societies against which complaints have been made.

555. Are the Committee to understand you to mean, that there is something to be said on the other side; that although there are certain privileges granted there are also certain restrictions imposed upon those societies?—Yes.

556. And that therefore if you were to draw the balance, you are not prepared to say that there is any ground of complaint?—There certainly is some; but I think the restrictions should be removed.

557. Confining yourself to the matter of fact with reference to the complaint, do not you know that there are certain societies carrying on business to the extent of an assurance office, but which yet practically are formed under the Friendly Societies Act and are therefore in an anomalous position?—No doubt of it, there are.

558. Are you able to offer to the Committee any opinion as to the best mode of dealing with those societies. Should you recommend that they should be all registered under the Joint Stock Companies Act?—I am not at all prepared to say anything more than the evidence which I gave last Session upon that point.

559. You gave evidence before a Committee last year upon this point in detail?—Yes.

560. Have you changed your opinion at all in the course of 12 months with reference to the points which you then suggested?—No, I have not. I have lately looked over my evidence, and I see no occasion to alter it.

561. In case assurance offices were required to make a different kind of return every year of their transactions, with a view to make their balance-sheets more clear and intelligible, and more capable of being rightly appreciated by the public, do not you think that it would also be most desirable to improve, as far as you could, the returns called for from friendly societies?—I think the present Act is sufficient, as far as regards friendly societies, because it gives me virtually power to call for any returns connected with the subjects, or the items mentioned in the schedule; therefore I think that, as far as friendly societies are concerned, we have ample means of obtaining any information that is wanted.

Lunæ, 25° die Aprilis, 1853.

MEMBERS PRESENT.

Mr. Wilson.	Mr. Hamilton.
Mr. Glyn.	Mr. Geach.
Mr. Chambers.	Mr. Mullings.
Mr. John Ball.	Mr. Freshfield.
Mr. Cowan.	Mr. Danby Seymour.

JAMES WILSON, Esq., IN THE CHAIR.

John Finlaison, Esq., called in; and Examined.

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562. *Chairman.*] WILL you inform the Committee what official position you have held under the Government?—I was for about 30 years Actuary to the Commissioners of the National Debt, and in the course of that time I have also had some experience in the affairs of life insurance offices.

563. Will you state what experience you have had with reference to life insurance offices?—I can state to the Committee that I have had experience in the case of five or six companies whose affairs I have investigated, and I am completely master of their method of doing business; three at least of those companies were of the very highest order. I have also, by the wish of the late king, given counsel in the formation and conduct of an insurance office, the object of which was, to enable officers in the army and navy to insure their lives against tropical risks at known and definite rates; I computed tables from very extensive data, showing the proper rates of premium for Europeans serving in the Tropics; and I think those tables of mine are the first of the kind that ever were computed; that was about 17 years ago. Since that time I have been so far connected with that office, as to be their adviser; being myself at the time a public officer, I could not have been connected with any life insurance office except at the request of the king.

564. You have had considerable experience as to the mode in which insurance offices have conducted their business, and as to the general state of the question of life insurance?—There can be no doubt that having been engaged in those studies for more than 40 years, I have as much experience as most people of the nature of life insurance; perhaps not of the mere official details, such as book keeping, and things of that sort, but certainly on all the essential parts of life insurance I ought to be well informed.

565. Will you state to the Committee what your views are as to the general constitution of an insurance office, in order that it should be placed upon a basis as satisfactory and secure to the public as possible?—I apprehend that the matter is very simple. No great capital is necessary to set agoing a life insurance office, if honestly conducted, and if the expense of management is prudently kept down; because every premium of insurance for the whole life comprehends not merely the risk of the life at the commencement of the insurance, but also a portion of capital sufficient to lay up a stock to meet the claim ultimately. But this obviously relates to a capital to be created from the premium, and which is to be devoted to meet the claim of life insurance. The funds for the management of an office is a capital of another kind, which, in my opinion, ought to be created by funds advanced, either by the proprietors, or borrowed on the faith that they can be returned at some future day; for it is plain that the management of a life insurance office upon an extensive scale, which entails at the present day an immense amount of advertisement, cannot be conducted very cheaply; and the funds necessary for that purpose cannot come out of the premiums, which are calculated to meet the claim upon the policy.

566. But ought not the premiums which are so charged to provide not only for the risks of the office, but also for the expense of conducting it? No, not in the first instance; they would in the course of time; but in the first instance there is a necessity for some other capital existing somewhere, because not only

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is the expense of management heavy upon a young office, but there is or ought to be, some safeguard against a sort of oscillation, what is vulgarly called ill-luck, at first going off; there may be a run of ill-fortune against the office at first, or there may not be; but time would cure inequalities of that kind in an extensive business.

567. The object for which you contemplate a necessity for having capital would be to bear the expenditure of the office in the first instance, while it is young, and to meet accidental losses which the premiums, though computed upon a perfectly sound principle with reference to a lengthened period and average years, might not enable the office to meet in the early periods of its existence?—Precisely so; namely, a fund drawn, from some quarter or another, that should be sufficient to guard against oscillations in the first going off, and for the expense of management, until that surplus fund which is comprehended in the ordinary premium shall have attained that magnitude which shall enable it to do without any such temporary surplus fund.

568. Then with regard to the actual money condition of a young office, as shown by its balance-sheet at any particular period, you are of opinion that if it had been unfortunate in its early days, that would prove nothing as to its ultimate prospects?—Certainly not. No balance-sheet that I am capable of comprehending could be available for the purpose of showing the actual condition of an office in the same manner as such a thing would be in the case of a banking house.

569. You have stated that the principle of insurance is perfectly simple. Is it not a very simple matter, provided it be done with a sufficient amount of skill, and a sufficient amount of honesty, to determine at any one particular time what the real condition of an assurance office is as to its prospective solvency?—I beg to say that I know of no branch of mixed mathematics more simple than the question of life insurance. It is extremely simple; there is no difficulty whatever in determining the actual condition of an office at any given time, if provision is made beforehand for a valuation.

570. You are of opinion that a valuation of its risks, and a valuation of the premiums which it is to receive before the risks can fall in, are matters capable of easy and simple calculation?—They are.

571. And upon rules which are generally admitted and well understood by men of science?—I think so.

572. But with regard to the assets of the company, that is not an equally simple matter?—Certainly not. It may be convenient to the Committee that I should state very briefly what the nature of this valuation is. Every man of business knows that a policy of insurance falling due at the termination of a life, or at some given period, has what is called a present value, that is, a sum of money, subject to the risk of the life which would ultimately amount, at the rate of interest given, to the intended claim. Now that rate of interest is one of the elements of this computation. At any future period, such as, for example, at the end of seven years, a life that has been previously insured will have attained an advanced age. At that advanced age the premium which the party is paying will insure a certain amount of money in part of the sum originally contemplated, because the life annuity payable, which is called the premium, is an equivalent for so much of the present value of the benefit that is forthcoming. Then there is a portion of the amount insured that the premium at the advanced age will not insure, which has to be got out of capital at a rate of interest involved in the premium, and in the present value. That portion which is so deficient is expected to be met by the funds which the company possesses for the time being. If by the investment of their funds (assuming that such funds exist) they can make the rate of interest that has been contemplated in the premium, there is not a doubt but that the office is solvent and able to meet its engagements; but it depends upon whether the rate of interest contemplated in the premium shall be realised, and, in the case of loans on private security, upon whether the debt is a good debt. If the security upon which the money is invested is inadequate, that will affect the condition of the company. There are many things upon which it depends. But the calculation itself is simple enough.

573. Are the Committee to understand that your meaning is, that in valuing the assets of insurance companies at any particular time you necessarily find that in proportion to the age of the person insured, or to the duration of the

the period for which he has continued his insurance, the premium that he is paying is adequate to the risk of the life computed from that moment?—Certainly. The premium payable is at all times the equivalent of a given proportion of the sum insured.

574. And that therefore there ought to be in the possession of the company a capital fund representing the premiums which he has already paid, so as to make it equal to the risk at the time?—Just so.

575. Therefore the premium which he is in future to pay, *plus* what he may have paid in premiums previously, should always be equivalent to the risk which the office has at that moment, however old the person may be?—It has no reference to the amount of the premiums which the party may have paid at all, but it has reference to the single value of his policy at the age to which he has attained. The premiums which he may have paid have partly gone to cover his own risk, and partly to pay for the claims of others. But the capital that ought to be in hand in the office is such a sum as would make up the difference between the value of the premium which he has still to pay and that of the sum originally promised him, or which is secured to him by bonuses, or in any other way. It would have no reference to the premiums he had hitherto paid, because the office may be in a very flourishing condition from another cause, as well as from the receipt of his premiums. It may have employed its funds at a higher rate of interest than was contemplated in the premium. The question is not at all with respect to what the individual has paid, but with respect to his condition at the time when the valuation is made, or the sum of money that would justly buy him out at that moment, namely, the present value of his expectation; a part of that sum which would buy him out he is a debtor for in the shape of annual premium, and the other part ought to be held in reserve in the office.

576. What I understand you to mean is this, that an insurance office, in order to be in a state of perfect solvency, ought at any moment to be able to pay the present value of every person insured, and to go on with new insurances?—Yes; that is to say, the present value *plus* the premiums which are in expectation, which are still owing to the office.

577. That would be the foundation of any calculation which you would make at any time when you valued the condition of an insurance office?—In substance any valuation must resolve itself into that, in some form or another.

578. Insurance offices are frequently in the habit of buying up their risks, if they are offered to them?—Yes, I believe every good office is quite ready to redeem its own policies.

579. And it is a perfectly safe thing for the office to redeem a risk at any moment, at the value of that risk at the time?—Certainly; but they never give the full value, and for this reason, that they consider that a person retiring from their connexion is like a partner quitting a concern, and that he should not take the last penny of the value, because his co-partners are still incurring a risk from which he is exempted, and therefore they make a large deduction.

580. Upon the question of accounts, could you suggest to the Committee any form of account, or any principle upon which an account could be constructed, which could from time to time present to the public or to the shareholders of an insurance office a fair and systematic statement of the condition of the office?—In the first place, I do not believe that it is in the power of any man to construct such an account as would be effectual for that purpose; but, secondly, supposing that an account in the nature of a balance sheet could be prepared, I do not think that it would be expedient to do so, because it would lay new offices under a very grievous disadvantage; they begin as small offices, but they may, as every other office has done, grow up into great ones. Now, to disclose the amount of business that they are doing in their infancy would be a grievous disadvantage to them, seeing that it is certain to be published by other offices, their rivals in business; it is sure to be made known in some form or other; and I may further observe that a new office is under this further disadvantage, that if they do not keep advertising, they will be thought defunct, and given out so; that I know of my own knowledge.

581. New offices are necessarily at great expense for the time being?—They are under great disadvantage; and it would be a very crying hardship upon them if they were obliged to expose the amount of their business for the first few years.

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582. The question had reference rather to the possibility of constructing such an account, than to the policy of doing so?—I do not know of any means by which such a thing could be done without a visitorial system of examination, which would be somewhat expensive, and as to the principles of which there would be a great difference of opinion. I may be an actuary, and make a valuation of the affairs of an office, and I may adopt a particular rate of interest which I think probable to be realised. It is a matter of conjecture whether it will be realised or not. And, moreover, I may adopt a certain law of mortality, which is another element, and an important one in the question. I may think, according to my judgment, that the element of mortality is so-and-so; but another actuary may think quite the contrary; and he may choose a very different rate, not only of interest, but also of mortality. There are possibly, or there may be, as many opinions upon that subject, of course, as there are actuaries, and all varying according to their degrees of experience and learning.

583. Then am I to understand you to say that, although it is the simplest of all things to determine from time to time what is the exact condition of an insurance office, yet it is a matter of impossibility to state it upon paper?—It is a matter of impossibility, unless it was stated by one actuary, and that all actuaries should concur, both in the element of mortality and in the element of the expected rate of interest.

584. I can understand that actuaries may differ very much as to the tables of mortailty which they may use, founded upon their opinion of the duration of human life, and as to the probable rate of interest of money in coming times; but supposing you had both those elements defined, and that you were to act upon a certain table of mortality, and a certain rate of interest, would there be any difficulty?—None whatever; because if the rate of interest and the law of mortality are given, the rest is a question merely of arithmetic.

585. The great difficulty that you apprehend is on account of the different opinions which different actuaries may have with reference to those essential elements in the question?—Certainly; if those elements are given, the condition of the office in respect to its liability, is merely a matter of arithmetic. Then comes the question as to how the funds of the office are situated. They may be in the public funds. The method recommended by me, and acted upon in the case of some great offices, was to treat the matter in this way: I assume that the balance of the capital which is against the company, and which it ought to possess, is laid down arithmetically in the manner which I have stated. That balance, and the interest of it being found at the rate given, which is the basis of the valuation, I would subtract the dividend on the stock possessed by the company from the interest of the capital which is the balance against them. There remains then a quantity which must be met by other means; those means I held to be money at mortgage, railway debentures, and private securities. As much as is lent in that form, I consider capital created, capital actually existing. Exchequer bills I also hold to be in the same condition as capital. Now, the public funds I consider as dividend and not capital, because it is uncertain for how much capital the dividends may eventually sell; but as to that portion which is really capital, a question then arises as to the nature of the securities. If a great deal of money is lent upon securities which are inadequate, the office is proportionably in danger. Now, all those considerations are exclusive of the arithmetical operation to which I have just referred.

586. Then if I rightly understand you there are three elements in the calculation. The first is the element of risk, which must depend upon the computation of life; the next is the element of interest, which defines the supposed annual income from premiums in hand; and the third is, the character of the assets in which the capital of the company is invested?—Certainly.

587. With regard to the first two of those, supposing that you have determined your table of mortality and your rate of interest, there is no further difficulty whatever; it is simply an arithmetical calculation?—Precisely, and of a very simple kind.

588. But so far as regards the third element, you are not so sure?—Then it becomes a totally different question. With regard to the validity of money lent on private security, or on mortgages, it is a question that more properly concerns a professional man, such as an ordinary solicitor. With regard to money in the funds, I have stated that that does not represent capital, but is only a set-off against the interest of the balance standing against the company.

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589. May it not be taken as capital, inasmuch as at all times it is convertible into capital?—But no one knows into how much.

590. Might it not fairly be computed at the price of the funds from time to time, and might not a computation be based upon that?—The price, that is, the value, of a perpetual annuity in the funds at this day when the valuation is made, may not be the price that that annuity will bear when the claim is payable, but the interest of the amount held by the company in the public funds is a certain set-off against the interest of the balance which stands against the company.

591. Mr. *Glyn.*] You deal with it as annuity, but not as capital?—Precisely; not what at least I consider to be capital, excluding always Exchequer bills, which are really capital.

592. *Chairman.*] You include in capital everything that professes to be payable at a fixed amount within any moderate period?—Yes.

593. You do not regard the public funds as such because you cannot demand the capital at any fixed time?—You never can be certain what it will be, but you have a certain annuity, and that is a set-off from the interest of the balance against the office.

594. Is there not another important element with regard to the success of insurance offices, viz. the rate of interest which they can obtain upon the money which they receive as premiums, and upon their accumulations?—I have no knowledge personally of the system of money lending, but it is said that they do lend money at high interest; I have heard so, and I have read it in books.

595. For example, in calculating the premiums of an insurance company would it not be an essential element in that calculation to consider the rate at which interest is anticipated to be received upon the accumulations of premiums before the risks fall due?—That is one important element.

596. In proportion as the interest is high, the premiums may be low, or the profits will be great?—The rate of interest within any probable dimensions would scarcely much affect premiums.

597. Supposing there were a rule that insurance offices should be restricted in their investments to use nothing but public securities, either Exchequer bills, or Exchequer bonds, or Consols, where the rate of interest could not be calculated at more than perhaps three per cent., would not that make a material difference in the rates at which they would be able to insure lives?—Certainly, I think it would diminish the business of life insurance offices so materially that there would be very few remaining. But with respect to the rate of interest to be realised in the public funds over a long period of time which must fall into the views of an office when they effect insurances, I hold myself (but other people disagree with me) that the average rate of interest will be 3 ½ per cent. for the next 40 years. That is, of course, entirely matter of conjecture. The grounds of conjecture must more or less depend upon the experience and knowledge of the person who guesses, but it is my own individual opinion that the rate of interest will be 3 ½ per cent. for the next 40 years.

598. You have no faith in the views commonly entertained of a great probable reduction in the rate of interest?—Not the slightest.

599. You say that if the rate of interest which insurance offices could obtain upon their capital and upon their accumulations from time to time were confined to such a rate as they could get in the public securities, a great number of the insurance offices would cease to exist. But would it not be altogether a question of premium?—I do not see that, because it would be as much as to desire them to shut up their offices; they must make their premiums so high that nobody would come to them.

600. You think that, practically, they receive by their investments a much higher rate of interest than that upon the public debt, and that their existence is dependent upon that higher rate of interest?—There is no doubt that they do make a higher interest if their concerns are prudently managed; in fact, the advice I gave to some companies, who are willing sometimes to accept my advice, and sometimes not, was to sell out all their money in the funds, and invest it in other securities.

601. What species of securities would you suggest for the purpose?—Railway debentures in preference, for the same reason that I should prefer Exchequer bills, in order that at a moment so extraordinary as that in which we now exist they may be depended upon as being capital.

602. Being fixed capital, and not subject to fluctuation?—Yes.

 603. Would

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603. Would it not be very detrimental to the interests of an insurance office to be getting only one and a half per cent. upon Exchequer bills, instead of three per cent. upon Consols?—No, because I should hold them only for a short time.

604. Then when you give that opinion, you speak of Exchequer bills only as at the present moment, as an exceptional case?—Precisely so. But I am only an actuary, and not a statesman, and in a matter of financial speculation I am afraid I shall be out of my depth; I am of opinion, however, that it must influence the advice that an actuary gives to his company.

605. Is it not the case with an insurance company, as in other things, that the rate of interest which an insurance company can obtain upon its investments must depend upon the comparative security of the different investments which the office makes?—Very greatly, it does so; but they will many of them run considerable risks of bad payment, in order to get a high rate of interest; and I beg to observe, as a fundamental principle in this matter, that interest, not capital, is the agent of increase, and that no nominal capital is of any avail; it is the interest derived from it that is the agent of increase, and when interest above the rate contemplated in the calculation is realised, the surplus of interest so obtained is converted into capital, and is of course invested with capital, as occasions arise; and the safety of an insurance office no doubt, in a great measure, depends upon the validity of the securities which it has taken.

606. There are two points in the principles of insurance offices to which I wish to call your attention; first, there is its success in point of profits, and, secondly, there is its security in respect of the ultimate payment of the liabilities which it incurs. Are not those two elements almost at variance with each other; because in proportion as you increase your profits, you necessarily diminish the certainty of ultimate solvency?—I do not see that this is a necessary consequence.

607. Is it not a principle of general application with reference to these investments, that just in proportion to the security of the investment the rate of interest is low, and in proportion to the insecurity of the investment, a higher rate of interest can be obtained?—No question; but yet insecurity is relative, it is not absolute; it has many shades.

608. Then when you reject the public funds as a mode of investment, what other description of investment do you suggest, as the best that can be employed for these purposes?—That is rather a question for a lawyer than for an actuary; I should prefer mortgages, I should prefer the debentures of railways, and anything sooner than resorting to foreign funds.

609. Because in foreign funds there are greater risks of fluctuations?—In these there are risks of quite another kind.

610. Political risks?—Political risks; I am alluding at this moment to the Dutch funds; but the risks there are not risks depending upon the doubtful character of the people, who never made any defalcation, nor ever will, if they can help it, but upon events over which they have no control.

611. Which may alter the value of the capital invested?—Yes; for instance, their 2 ½ per cents. at this moment are at 66.

612. Then in making a valuation of the condition of an insurance office, one of the most essential elements would be the character of the securities which represented the accumulated capital?—There can be no doubt of it.

613. And therefore no account would be worth anything as showing the actual condition of an insurance company, unless it were accompanied by a valuation of those assets?—Certainly not, and that makes the difficulty of any account almost insuperable.

614. A great deal would depend also upon the care with which lives had been taken?—Yes, a great deal.

615. That is an element in the calculation which an actuary going to examine the condition of an office would not be able to determine?—Not if he came in as a visitor. But the actuary of the office ought to have a voice in it; an actuary is not well used by his company unless he has a voice potential in the acceptance of lives.

616. If an actuary were called in at any particular moment, and shown a list of the persons of different ages upon whose lives policies had been effected, would it not be impossible for him to calculate the element of risk, which depended upon the discretion with which those lives had been taken?—There is this much to be said on that head, that when he is shown a list of lives that have been

been for a considerable time under insurance, he takes it for granted that the bad ones, if there were such, are gone off, and that those that remain are in the fair ordinary condition in which human lives are generally.

617. But supposing there has been a great accumulation of new business?—No doubt there is danger in the first years of an office that bad lives will get in; and that danger is so much increased in Ireland, that the most prudent English offices decline to insure them at all, because in the courts in Ireland no proof is required that the proprietor of a policy had any interest in the life; and I have seen myself, in a Limerick newspaper, six policies advertised for sale, where a lamentable account was given of the condition of the respective lives; it was stated that they were expected every day to die, in order to enhance the value of the policies. It is one of the great evils of that country, which prevents the accumulation of capital there (and I am glad, with the permission of the Committee, to have this opportunity of stating it), that the courts in Ireland do not require any proof that the party insuring a life has any interest in the life; hence the danger of personation, and of bad lives being accepted. When the life proposed for examination is not actually one in whose existence the person proposing to insure is really interested, the danger of concealed disease is very great; so much so, that I would conscientiously advise any office with which I might be connected to abstain from insuring in Ireland altogether until the law is altered; at least the administration of the law, for it is the administration of the law, I suppose; I imagine that the law itself is the same as in England.

618. If I understand you rightly, you are of opinion that so much depends upon the discretion and good management of the office, apart from anything that can be shown in black and white upon paper, that you would not be disposed to place much confidence in any check that could be obtained by accounts?—I would place none at at all in any system of accounts that could be shown to me, for the reason which I have stated, that it is very uncertain upon what data they have been constructed. But there is another reason. If I were to look at it as a statesman (which I am not), I should say that great injury would be done to the country in not encouraging life assurance to the utmost extent. The young offices possess that activity, that thousands and thousands are brought to insure their lives by the agency of young offices who otherwise never would have heard of life assurance at all, and never would have come at all.

619. Through the influence of competition?—Yes. I think the activity of new offices has this beneficial effect upon the country, that it induces a vast number to insure their lives who never before made any such provision for their families. And therefore, anything that would be discouraging to new offices I should hold to be detrimental in a public point of view.

620. But, on the other hand, would it not be a very serious thing, as affecting the success of those offices and their utility to the public, if any well-grounded apprehension were to creep into the public mind of the ultimate insecurity of the principles upon which they were conducted?—I do not think, from my own experience, that there has been hitherto any danger. If there is anything that I should regard as a matter of pride in my country, it would be that for a hundred years and more life insurance has gone on in this country, and no instance, except one, has ever been shown of any fraud in the concoction and conduct of these offices. It is a subject for congratulation. But in addition to that, I may say that in my own experience I have investigated to the foundation three great offices and two or three lesser ones, and I never found one that was insolvent, nor that there was any danger of its being insolvent. It was my bounden duty to have pointed it out to the directors, who employed me to investigate them, if it had been so; but I never saw any reason to doubt the integrity of their actuaries, or to doubt the prudence, or at least the good intention, with which they have managed their affairs.

621. If such a fact as that which you have now stated could be communicated to the public with reference to the great majority of the offices, and not merely with reference to the two or three which you have investigated, do not you think that it would be much to the advantage of the insurance offices themselves, and especially to the advantage of the community, by encouraging this species of providence in using insurance offices to a greater extent than they now are used?—I never heard that their solvency was in the least degree doubted till very lately. I never believed that it was possible to get up in England a respectable Board of Directors who would not at least be actuated by good intentions.

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intentions. And where their business has been unsuccessful, I have seen many instances in which they immediately transferred their business to another office, and wound up their affairs; but I never saw any instance in which there was meditated fraud.

622. Except the one to which you have alluded?—Except that one; and that was not, properly speaking, a life insurance office, but an office to sell annuities.

623. You say you never knew an instance of meditated fraud; but may there not be a great number of causes for the want of success of an office other than fraud?—Certainly; there may be ill success; for instance, a great oscillation of losses.

624. Would it not be a very great advantage if with regard to offices generally the same confidence could be felt in the public mind, that you yourself feel in those which you have investigated?—I do not believe that there is any want of confidence in them. I never heard of any till very lately, and I never saw any grounds for any.

625. But still you are clearly of opinion that confidence is a most essential element in life insurance, and that in proportion to the confidence in the public mind, persons will avail themselves of that means of investing their savings for the benefit of their families?—There is no question that confidence in the security and validity of the companies, is the very essence of life insurance.

626. And if there is any want of confidence, it is of the utmost importance to the interest of the offices themselves, as well as of the public, that means should be taken to restore that confidence, and to maintain it from time to time?—Decidedly so.

627. If you had so great facility in satisfying your own mind as to the condition of the offices whose circumstances you have investigated, would there be any difficulty to prevent you, or any other person sufficiently well versed in these matters, from obtaining equal satisfaction with regard to all the life insurance offices?—No difficulty at all, certainly, upon a satisfactory investigation; but it would be extremely detrimental to young offices to publish the amount of their business before they have had time to avail themselves of the agencies which they have set on foot.

628. There are two different dangers to which I wish to draw your attention. In the first place, there is the danger of contemplated fraud, which you think, happily, exists to a very small degree indeed. And then there is the danger of neglect or general bad management. Now in furnishing the accounts, which, as you are aware, the Legislature at the present moment require from certain offices which have been established since a certain period, two evils may exist; first, there may be intentional misrepresentation, and secondly, there may be a form of account, which, although it speaks the truth, does not accurately exhibit the real state of the office: but supposing the intentions of the direction and of the managers of an office could be perfectly relied upon, do you think that there is any form in which a general statement of the result of an investigation might be given which would not be injurious to young offices by exhibiting the details of their business, but should merely give the result, based upon the examination of actuaries confidentially employed for the purpose?—If the question relates to a system of secret investigation, there is no doubt that such a system might, at some considerable expense, be maintained, and that it would be effectual in compelling offices to wind up their affairs when there was a doubt of their solvency. I do not myself believe that, in the accounts which are required under the recent Act of Parliament, any intentional fraud has been committed; but a great deal of error may unintentionally have crept into the accounts, because they are framed by different men under different conceptions of what is wanted; and, in short, they do not answer the purpose; but I never can believe, for I never saw any reason to think so, that any actuary would prepare such accounts intentionally to mislead; but that he might take erroneous views is very possible, and that an office might be mismanaged is extremely possible.

629. You speak of the expense of such an investigation; is it not the case that every office, for the satisfaction of its own proprietors, does make such an investigation, either annually or at very short periods?—I am not aware of that fact.

630. Would it not be only ordinary prudence to do so?—Clearly; from the largest office in England to the smallest benefit club there is no certainty whatever in relying upon any tables without periodical valuations.

631. Periodical

631. Periodical valuations you hold to be an essential duty upon the part of such an office?—An absolute *sine quâ non*, because the various events which may occur in what I have called by the general name of oscillations, or good fortune, or ill fortune, are such as to prevent any account of that nature being satisfactory.

632. Then if such an investigation ought to take place, even for other purposes, surely it would not add very materially to the expense of an office, if this investigation were conducted upon some generally approved principle, such as the statement being signed by a certain portion of the directors, who should therefore be held responsible for the accuracy of the arithmetical statement at all events, and also such as the actuary of the office, being assisted by any other independent actuary, whom the office might think proper to employ for the purpose; could that additional expense be thought too great in order to obtain so great an end?—A system of confidential investigation need not be very expensive. With regard to any statement signed by the directors, I would humbly beg leave to assure the Committee, that with great respect for them, the directors are absolutely and totally ignorant, 99 times in 100, and therefore they would sign the statement in true good faith, without knowing anything about it. The statement, after all, must be made by the actuary; it cannot be a satisfactory statement to the directors themselves unless a confidential investigation takes place. There is no question that the directors have just cause, from their long experience of their actuary, to rely upon his statement, and it is not once in a hundred times that it is otherwise. But at the same time, if you wish satisfaction to the public, it is clear that these offices ought not to depend upon a person who would be thrown out of bread if its affairs were disastrous. I am only speaking on general principles, not with any allusion to anything that may be existing at this moment. But it is in the nature of things that another authority, as an additional evidence, would be more satisfactory to the directors than the mere authority of the actuary of the office itself. I am not referring to any existing case. I know no reason whatever to doubt the honour and respectability of the actuaries now existing. But I am speaking on general principles, and I think it is clear that a confidential investigation would necessarily be more satisfactory, not only to the directors themselves, but to the public at large, in determining the question whether an office is solvent or not.

633. But that confidential investigation, supposing it were made by an independent actuary, might very safely be made in conjunction with the person who was the regular actuary of the company?—Assuredly it might; I know no reason to the contrary. I think that most actuaries would be very thankful if there was such a distinct testimony to their office in addition to their own. I think it would be very satisfactory to them that it should be known in what way they did business.

634. Might it not, by giving still greater public confidence, be beneficial to the office itself?—I think so, decidedly; of course, testimony of a high order to the solvency of the society could hardly be otherwise than beneficial to the office.

635. Then, if such an account could be furnished periodically; not every year, but every three, or four, or five years; would it not be very easy to frame a general and more summary account of the annual transactions of the office, which would afford a very fair indication of its progress between the two periods at which such investigations as you have described, took place?—I have no doubt that such a system could be matured; I do not see any difficulty. I am not able on the spur of the moment to go into detail, but I am sure it could be done.

636. Mr. *Glyn*.] Do not you think that the directors, being as you describe them, generally very ignorant of the matter, would gladly call in the assistance of another actuary to check the accounts?—I decidedly think so.

637. You have been yourself professionally called in to value the liabilities of other offices?—I have in five or six instances, and three of them very great offices.

638. What table of mortality did you adopt in those cases?—I suppose the Committee are aware that I framed a table of mortality myself some 30 years ago.

639. Did you invariably use that table upon those occasions?—Invariably; because it has been over and over again, at different periods, tested as to its accuracy on a question which it may be interesting to this Committee to know.

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There is at the National Debt Office a great body of small life annuitants, above 7,000, who were enabled to get trifling annuities through the medium of savings banks. It became a question of importance whether those poor people (for they generally are upper servants, and such like,) were or were not subject to the same rate of mortality as the higher classes, who purchase large annuities. The result has been, that an account has been constructed, which was only cast up, I think, a month or two ago, showing that the rate of mortality is identically the same among them as among the higher classes: their lives are probably a shade better than those of the upper classes; but as far as the deaths are yet known, the rate is as nearly as can be identical. With the male sex, it is quite identical; the females are rather better than females of the higher classes. But to return to the question put to me, I must say that I always, in valuations adopt my own table, because I made it myself, and know the truth of it.

640. Did the offices by which you were called in adopt other tables as the basis of their calculations?—Frequently.

641. Were they generally the Carlisle Tables?—No. With respect to the Carlisle Tables, I believe it is only lately that they have come into operation with the offices; formerly, it was the Northampton Table that was adopted, which was much more beneficial to the assurance companies.

642. What is the date of your last investigation of those offices?—The last one I can remember was about three or four years ago, but I think the account to which I have referred was cast up within these three months.

643. When you investigated the liabilities of those offices, what was the rate of interest at which you made your calculation?—Three-and-a-half per cent. invariably. I have also investigated the affairs of a General Life Insurance office at New York, whose books were sent to me over sea. The mortality of New York is exceedingly difficult to arrive at, because the people are essentially moveable, but I was enabled, from the experience of the office itself, which was of 10 years standing, and which was very large, to determine the rate of mortality there, and I found that the result with regard to the rate of mortality was the very same that it is in England.

644. Mr. *Chambers.*] Are you of opinion that with reference to life assurance offices any advantage would be secured to the public by adopting any new legislative system with regard to them?—I think not, unless it were by a confidential system of investigation, which I only alluded to because I know of no other means.

645. And you think that the publication of the results of such system might be of service practically?—The general results, not to show the amount of business of each office, but it might be of great importance to the Legislature to know the working of life insurance in the totality, which would be obtained by a system of that sort.

646. You think that for statistical purposes, for the information of the community at large, it might be useful as a matter of public policy to interfere for that purpose?—I think so.

647. Are you aware, from having had experience of life insurance offices, old and new, of the existence of any evils which the Legislature could remedy?—I have stated in the strongest terms that there are no evils that I am aware of.

648. And that whilst, for carrying out some principle of public policy, it might be desirable to interfere by legislation, yet as far as the interests of the public and the interests of the offices are concerned, neither the one nor the other would be much benefited by such interference?—I would say, generally, that they would not. But I must add to that, that it appears to me that the system of life insurance itself would be extended if an increasing degree of security were created in the minds of the public, as to the solvency of the offices generally. I believe a great many timid people are deterred from insuring their lives merely on the ignorant supposition that their money is in danger; and I think that what is proposed would do away with that. Any system that would go to strengthen public faith in the solvency of life insurance offices would be a great national benefit, in my humble opinion.

649. Do you think that an amendment of the Joint Stock Registration Act, with reference to insurance societies, would have the effect of increasing public confidence in those societies?—I am sorry to say that I never saw the Act in question. I never read it, so that I cannot say.

650. Would any system of public returns that were registered, be likely to increase

increase public confidence in these institutions?—I know of none, unless it were founded upon some method of confidential visitation; and I only suggested that because I know of no other way of effecting the object.

651. You are not prepared yourself, to suggest any scheme which could be carried out by Act of Parliament, for the purpose of securing the object you mention, the increase of public confidence in insurance societies?—I am not able to say by what means it could be done, unless indeed (which I think not improbable), the offices themselves would voluntarily agree to some system of confidential investigation which would make manifest the solvency of the offices in existence. One great good already is, that those which are not quite sound do wind up their affairs; I think the voluntary consent of the offices themselves, for an object so evidently beneficial to them would be likely to be brought about.

652. Could the result of such an investigation as that which you have mentioned be made intelligible to the public on paper?—I see no reason why it might not be.

653. To the most unscientific people?—Clearly. There is no occasion for me to express in logarithms what I can do in common arithmetic, and there is no occasion to express in decimals what I can do in pounds, shillings, and pence.

654. You think that the result of the valuations of the society's assets and liabilities might be made perfectly intelligible to everybody?—I distinguish between the directors and the public generally. As regards the directors of any office, there is no reason why the result of an investigation into their affairs could not be made as intelligible to every one of them as anything with which they were most familiar; but to make that public, and give information to the public at large of the working of each particular office, I should hold to be a great hardship.

655. So all which you would make public, under any system, would be the general result of the investigation of all existing offices?—Yes; or perhaps the Legislature might think it expedient that the supposed visitors should specify the offices by name, which they had found to be of a perfectly safe kind.

656. A certificate with regard to their soundness?—I am supposing this to be a certificate of the imaginary visitors; but I only throw out this suggestion because I know of none other.

657. The Committee are anxious to have your opinion with reference to the policy of interfering by legislation in this question; what is the balance of your opinion?—It is a matter of statesmanship, and I am merely an actuary, not a statesman; it is a very wide question; I have no doubt whatever generally that life insurance is beneficial. The extent to which it has been carried is very great, but it is still open to vast extension; and I know of no means by which that could be done so effectually as by giving confidence to the public in the stability of the institutions.

658. Are you of opinion that there are too many life offices in existence?—That question may have reference either to the amount of business which they are doing, or to the possibility of what they can do. If it has reference to the amount of life insurance which there is to be effected, I say that there are not too many. If it has reference to the amount of business they are actually doing, I should say that, by carelessness on the part of the directors, no doubt a great many of them are not doing the amount of business which they ought to do.

659. Upon the whole, you think that the amount of life insurance business that has been done is far greater than would have been done if it had not been for the existence of the younger life offices which have been instituted of late years?—There can be no question of it, but it is not so great by any means as it might be.

660. Mr. *Geach.*] You said that the great difficulty in preparing an account was, that the statement must be verified by some authority, and that no two parties would agree exactly as to the value of the risk of the life for which the policy was entered into, and the value of the assets which the office might have to meet the liability which they were under for that risk?—My meaning was, that different actuaries would form very different opinions upon this subject, and they would proceed in very different ways.

661. Do not you think that a very good general idea of the position of any office might be obtained if, for instance, they were to take some given rate of mortality, on the one hand, and then to state, on the other hand, the interest which they were receiving for the securities in which their money was invested?—

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invested?—They might state the table of mortality that they are using, and the rate of interest that they are receiving as a return for their investments. But the investments would be very various, and their value would depend upon the different kinds of securities.

662. Supposing they were to classify them, and to say that they had so much in the public funds at three per cent., and so much on mortgage at three-and-a-half per cent., and so much on personal security, for which they might be getting six per cent., would not that give some idea of the value of the securities that they held?—There is no doubt that a statement of the investments would clearly show what property they had in hand; and in the next place, with respect to the law of mortality and the rate of interest assumed in the calculation, it is to be hoped that the return for the investments would be more than the rate of interest assumed, which surplus is in the nature of capital undergoing creation; but with respect to the law of mortality, I hold (and with very good reason, knowing quite as much of the matter as any living man), that the Carlisle Table somewhat underrates the mortality; it shows, therefore, a greater advantage than would be experienced by a life insurance office. It is requisite that the Committee should clearly understand this. The Carlisle Table was formed very long ago by a private individual, Dr. Heysham; in the year 1780, he went round the city of Carlisle, and asked everybody their ages, and he made a census of the town; and seven years afterwards, viz., in 1787, he made another census, when each person stated his age voluntarily. How truly the females stated theirs it is for the Committee to consider; but nobody was obliged to state any age but what they pleased, and there was no doubt a great tendency on the part of many to state their age younger than it really was, for it was completely a voluntary thing. I understand that the gentleman, who was a physician, was very much beloved in the town. He then compared the living population according to these two censuses, with the total of the deaths that had happened, and were registered in Carlisle. The total of the deaths that did happen, and upon which the tables are in truth founded, consisted only of 905 adults of both sexes, viz., persons of 15 years old and upwards, but the sexes are not discriminated. In the tables which have been laid before the House of Commons by the Treasury, which were supplied by me nearly 30 years ago, the deaths were some thousands, and the sexes taken separately; the difference between the male sex and the female sex is very great. Two editions of that report have been printed by the House, and there they stand and speak for themselves. It is true that females live much longer than males; it is a fact that we know at the National Debt Office. If you take a combination of males and females together, of course the rate of mortality will be below that which happens to males only. But not only so, but many of the people of Carlisle who were registered among the living, died elsewhere when they went away in search of work. The whole of the deaths that happened out of the living population so enumerated in Carlisle, were only 905 adults of both sexes, which I hold to be much too few. Neither were the whole of the deaths incident to that population recorded in the parish register, because many of them died elsewhere.

663. Mr. *Glyn.*] Can you state what is the real difference between your own table and the Carlisle tables?—I think the mortality of the male sex in my table is, especially in early adult life, heavier than in the Carlisle Table, and that of the female is certainly lighter; but my table is before the House; it is in the papers of 1829.

664. Mr. *Freshfield.*] What is the average of the two?—The average of the two is no criterion of either.

665. Mr. *Geach.*] The question upon which I wish for your opinion is, whether by adopting either your tables or the Carlisle tables, some calculation of the value of the risks which had been entered into up to any given time might not be made, which would give a sufficiently near estimate of the value of the risks to guide the public?—Certainly such a table would show a rate of mortality which would be perfectly safe, and unless very great neglect indeed in the admission of lives took place, such as any downright fraud, my table would be sufficient.

665.* Although it is impossible for an investigation to be made which would show the absolute state of any office, because you cannot tell the value of the lives without going into each individual life, yet supposing there has been average prudence in taking the policies, and that they had been taken according to the general

general tables applied to the transactions of all offices, would not such an investigation give a sufficiently accurate view of the estimated value of the risks, for the guidance of the public?—There is no doubt of it.

666. On the other hand, with regard to the assets of the office; if the office, for example, lend money on personal security, the value of the personal security must be left with the parties; you must trust them to that extent; but would it not be some guide to the public if they knew the rate of interest at which those investments were made?—I beg to repeat, that the surplus profits which arise from investments at a higher rate of interest than the ordinary rate of interest assumed, I consider to be capital in a state of creation. I should not consider it to be invested, because it is not permanent. The interest on one investment may be much higher than another. There is a continual fluctuation of that kind even in mortgages. Therefore, the surplus interest above the rate assumed in the calculation is, in my judgment, capital undergoing creation.

667. Mr. *Glyn.*] Your calculations are always based upon a rate of interest averaging three-and-a-half per cent.?—Precisely; believing, as I do, from the experience of the last 40 years, and from all that I have been able to learn, that the rate of interest for the next 40 years will not fall short of three-and-a-half per cent.

668. Are you acquainted with Mr. Farr's tables, which he has lately compiled from the Population Returns?—Yes, I have seen them.

669. Are you aware that they approach the Carlisle Tables almost exactly?—It may be so; I have not investigated that.

670. Mr. *Geach.*] You stated that the great objection to any inspection or publication of the accounts of these offices would be the injury which would be likely to be thereby done to a young office before it had got into extensive business?—Certainly.

671. Supposing that an office had been in operation for one or two years, would it not be better even for the office itself, that the public should know the extent of business that had been done in those one or two years, than for it to be left open to doubt whether they had done any business at all?—I think not, because I should always say that the business of the first one or two years could be no criterion of the ultimate success.

672. Could not the public take into consideration the fact of the office only having been in operation one or two years?—I think the time is too short.

673. They would know both elements, and would be able to form their opinions upon them; they would know both the time the office had been in operation, and its amount of business?—They might know so much as to eschew the office, and to avoid it. You could not in that way give fair play to an office which might in five, or six, or seven years do a great deal. I think an insurance office ought not to be judged of in less than seven years.

674. But this case might arise, that an office had been established five or six years already, and that it might be receiving a large amount for premiums and insurances, and yet that the expenses might be as great as the premiums they were receiving. In that case, would it not be desirable that the public should at any rate be made aware of that fact?—If an office is indeed making away with the premiums it receives, and preserving no funds to meet ultimate engagements, it must of course be insolvent. But the supposition upon which I went in the early part of my evidence was, that there would be some other fund to provide for the expense of management till the premiums of the office had acquired sufficient magnitude.

675. If that fund existed, it would form part of the account; but supposing no such fund existed, and the office had been established for six or seven years, and supposing it were receiving 3,000*l.* a year, for premiums, and that its expenses were 3,000*l.* a year, ought not the public to know those facts?—It is self-evident that in such a case there would be no funds to meet claims, except the personal liability of the proprietors.

676. But are not the policies generally restricted, by saying that they shall have a claim only upon the funds in hand, without giving the personal liability of the proprietors?—I am not a lawyer myself, but the question now suggested is a very important one. On the back of most of the policies of insurance there is a clause, that the directors are not to be liable for more than the funds in the hands of the office. I am not a lawyer, but if I were, I should question the legality of that clause; for I believe it would not protect them, except for the

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honest application of the funds of the office. It would not protect them against liability for mismanagement; and that supposing gross, reckless neglect of duty on the part of the directors, who, I conceive, are trustees for the prudent management at least, they would be personally liable, notwithstanding that clause.

677. *Chairman.*] Does that refer to proprietary offices?—It refers to every office in which there is a trust reposed.

678. Does the clause you have referred to, limiting the liability of the directors to the funds in the hands of the office, extend to proprietary offices as well as to mutual insurance offices?—I believe it does; but I think that the directors would not get off scot-free if a case of neglect were made out against them.

679. Mr. *Geach.*] I understood you to suggest, that there might be a private visitation of the offices. Is your idea merely that there should be a private visitation, for the purpose of giving advice to the directors, or do you contemplate it as a check upon the calculations and operations of their own officers?—If such a confidential visitation were established, the result of that might be laid before Parliament to show the progress of life insurance generally, but not the individual concerns of each office.

680. But that would be of no value to the public in forming its opinion of any particular office, nor would it in any way check fraud, if it existed?—If the public were to be directed in their choice of offices by a particularised statement of the affairs of each office of that sort, it would be equivalent to conferring a monopoly of life insurance upon the great offices, for no one in his senses would go to a small office if he could go upon the same terms to a great, flourishing, long-established office.

681. Then why do they go to small offices, which are known to have existed only one or two years, and which, in extent of business, cannot be compared with the Equitable, or any other large office that has been in operation many years?—It is owing to the activity of the small offices, who are most likely supported by individual friends and acquaintances, in the first instance, until, in course of time, they grow into favour with the public at large; but I hold it to be no good statesmanship to discourage the growth of a small office by the publication of its affairs in the early stage of its proceedings.

682. Mr. *Glyn.*] You said that you thought that no great capital was required in the case of a life insurance office, but that a sum should be always subscribed to provide for the expenses of management and casualties in the first instance. Have you ever turned your attention to what that amount should be?—I should say, that what would give them a fair trial would be something not exceeding seven years, and the expense of management for seven years of an insurance office which was doing very little business would be something about 15,000*l.* I should think that 15,000*l.* would be quite sufficient to lend to a young office, starting with a respectable direction and with honest intentions, and that before that sum would be expended in management, they would know whether they were driving a successful business or not.

683. Mr. *Chambers.*] You spoke of having visited several offices to see a statement of their concerns, and that you were satisfied of their solvency. Did you test their premiums?—Yes, every one.

684. Did you find that they had conformed uniformly to your table of mortality?—Certainly not; very few of them had at that time adopted it.

685. Did you find that those insurance offices had a table of mortality of their own?—I must distinguish. The computation of premiums is a twofold matter. One is the true arithmetical premium, calculated to meet the risk of the life at the rate of interest given; the other element is the surplus which is for profit and for management; and the two added together is the definite mercantile premium.

686. Then the next operation is to ascertain the time at which each policy or each class of policies will become a claim?—Yes.

687. Upon that the sufficiency of the premium must depend in considering whether the premiums accumulated up to the probable period of the claim will meet the claim?—Yes, or part of it.

688. Another element must also be, the rate of interest realised. There is a calculation of a certain rate of interest assumed, and the amount of the profit or loss attending the operations of the office will depend upon the difference between the rate of interest calculated upon and the rate of interest realised?—Yes.

689. And the amount of the difference, you say, would constitute capital?—If it was a surplus.

690. You spoke of various investments; the investment may be in the purchase of the reversion?—Yes.

691. That reversion may fall in very early, or the life upon which it depends may, provokingly for the insurance office, live to a great age?—There is nothing in that; the reversion falling in in favour of the office countervails the insurance of an equal amount to which it is liable.

692. If it comes in earlier than is calculated, the profit is increased; if it is later it may tend to loss?—Unquestionably.

693. Among the elements of which you have spoken, you say that there are the rate of interest, the rate of mortality, and the rate of premium; but there may be another element, imprudence?—Yes.

694. That imprudence may consist in adopting a defective table of mortality, or in making injudicious investments?—I have explained that the mercantile premium of an office comprehends two quantities. If, indeed, such a thing were conceivable, which I never saw except in one instance that I recollect, the West Middlesex, if it were conceivable that any office would insure at premiums below the arithmetical premiums, that I confess is a course which would lead to insolvency, but I never saw it. The mercantile premium assumed is of course always more than the arithmetical premium, so as to leave a margin of profit. If it were conceivable that people would insure below the arithmetical risk, the visitor would tell them at once, "You will be insolvent." I cannot conceive of such a thing happening.

695. In those offices which you visited, did you take the value of the outstanding risks upon the statement of the actuary, or did you test it yourself?—In every case I did it myself from my own tables, and compared all the assets with the consequences.

696. You took probably the value of the outstanding risk as it stood the preceding year, and then you took the number of claims that had fallen in in the course of the year, the number of policies that had been withdrawn, and the number surrendered?—That was not my method of proceeding. I proceeded in this way, and would do so again. I imagined within my own mind that the office was to wind up its affairs at a valuation, and to start again. Then I inquired how much of each policy for which the office was liable, would the premiums yet forthcoming meet. The residue must be met by capital.

697. You accumulate those premiums up to the period at which you calculate upon the claim occurring?—Yes. The present value of each future claim is, in fact, the value of a reversion. When that sum in present value, which was the balance against the company, is found, the interest thereof may be taken; as far as they go, the dividends of stock at the time being form a set-off against the interest of the whole balance. The residue of the interest of that balance is reconvertible into capital; the latter is then to be compared with, and met by the capital which the office may hold on other securities. The process has no reference to what they had previously been doing, but to the actual state in which they stood, upon the supposition that they were to wind up, and begin again.

698. You spoke of the arithmetical calculation of premiums, will not the actual rate of premiums depend upon the question how low premiums they will consent to take with a view to competition?—I never saw, nor can I conceive the case of an office accepting premiums that would be below the full arithmetical risk. I should be very reluctant to believe in such a case. In fact, the example of other offices, if they had no knowledge of their own, would deter them from doing it.

699. Are you not aware that independently of the Northampton Table, the Carlisle Table, and the Actuary's Table, there is a table of experience of the Equitable. In the case of a young office desirous of competing with others in established business, may not their actuary be of opinion that neither of those tables is strictly correct, and venture upon the assumption that life may be taken at one year longer?—Granting that they did so, their commercial premium would still afford a margin of profit; so that when the valuation came to be made by the visitor he would pay no attention to what the particular arithmetical premium adopted by the actuary was, but he would take the commercial premium, and from that, according to his own table, deduct the risk, and see what the margin of profit was.

700. Take any table of mortality that you please, and calculate your premiums according to that table. I will assume a table, showing that the lives dropping

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between 20 and 30 are very few, but that from 30 to 35 they begin to increase considerably. Supposing a company starting, should on the contrary be advised that they may extend the class from 20 to 35 instead of to 30, would not that give a different rate of premium?—There is a different rate of premium at each year of age.

701. Might not that premium, though made upon an arithmetical calculation according to a table, be one that you would not approve?—But they would be sure to add the mercantile profit to the premium. The two together I should hold, if they were not utterly unreasonable, would be more than the arithmetical premium, such as I would propose it. You spoke of a table of the actuaries, meaning, I presume, the experience of certain of the offices; in that table I myself should count for six; I am insured in different offices six times. Then, if policies are counted, and not individual lives, which is the case in the actuaries' table, while I live I count for six, and when I die I shall count for six deaths. A table so constructed cannot be depended upon for life insurance purposes.

702. *Chairman.*] I understand the whole tendency of your evidence to be, as far as regards the suggestion which you have made with reference to any check which the Legislature might think proper to impose upon life insurance offices, that it ought not to be with a view to restrain competition, but rather with a view to increase public confidence and security, and to extend the general business of life insurance?—That is my opinion, and the substance of all that I have endeavoured humbly to convey to the Committee.

Lunæ, 2° die Maii, 1853.

MEMBERS PRESENT.

Mr. Wilson.	Mr. Freshfield.
Mr. Hamilton.	Mr. Geach.
Mr. Glyn.	Mr. John Ball.
Mr. Sotheron.	Mr. Cowan.

THOMAS WILSON, Esq., IN THE CHAIR.

Charles Ansell, Esq., called in; and Examined.

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703. *Chairman.*] WILL you state to the Committee what capacity you hold in relation to assurance offices?—I am the Actuary to the Atlas Assurance Society, and also to the funds established in the three Revenue departments; viz., the Customs, the Inland Revenue, and the Post-office.

704. Has your attention been called to the Returns which have been laid before Parliament by the Registrar of Joint-stock Companies?—It has.

705. The accounts of the assurance offices, as published in the Parliamentary Returns?—I have seen the accounts in those Returns.

706. Have you examined them with any degree of care?—I have.

707. Are they in such a form as to enable you to arrive at any practical conclusion as to the condition of the offices whose condition they profess to represent?—They are very imperfect for many objects, but still I think they convey sufficient information to enable persons to form a general opinion as to the soundness or unsoundness of the institutions to which the accounts particularly refer.

708. What element in the account would you rely upon generally for that purpose?—The statement of the annual premiums received by the institution, the losses paid, and particularly the amount of the expenses of the institutions with relation to the premiums out of which they are to be paid.

709. Would those elements be sufficient, in your estimation, to form a satisfactory opinion as to the condition of the office?—They are not sufficient, I think, to enable any one to form a very accurate opinion, but they would do so in some degree. I can well imagine cases where the expenses are so small in relation to the premiums, as to induce a general belief that the institution is in a sound state as respects expenses, or that it is proceeding upon proper principles, and with

with due care. On the other hand, I can imagine the expenses to be so great, that the institution is evidently paying more than it can afford to pay, and at the same time making due provision for the claims that will ultimately come upon it. There may, however, be an intermediate rate of expenses, which may leave a person in doubt. The accounts, as they are now presented to the Registrar of Joint-stock Companies, are not sufficiently precise in their details to furnish all the information which a person seeking to insure with an institution would desire to possess. With reference to the statement I have made as to expenses, I have here an extract from the Assurance Magazine, which gives an abstract of the accounts of several assurance offices, deduced from the Returns made to the Registrar of Joint-stock Companies, under the provisions of the Act of 1844 (9 & 10 Vict.) There will probably be no need to mention names; I will merely mention numbers, if the Committee will allow me. The abstract contains the accounts of 28 companies, during the time that has elapsed from their formation up to the end of their respective accounts, which is an average period, I think, of three years and a half. The total receipts of the 28 companies for life premiums, for the purchase-money of annuities, and for premiums for deferred annuities, is 431,080 *l.*; the expenses incurred by those 28 companies seem to be something like 220,000 *l.* There is a total payment of 306,000 *l.* out of 431,080 *l*; but then that 306,000 *l.* includes 75,000 *l.* of claims and 12,000 *l.* paid for annuities, I suppose in discharge of the obligations which they entered into in respect of those particular annuity transactions. Taking that sum of 87,000 *l.* off, it leaves something like 220,000 *l.* as the expenses paid for managing premiums of 431,080 *l.*; and if from that amount of 431,080 *l.* be taken 31,000 *l.*, the purchase-money of annuities, the greater part of which ought to be set apart to discharge the claims that will arise hereafter in respect of those annuities, it being in fact so much capital paid down, to be repaid by periodical sums to the persons who have deposited it, that leaves of premiums 400,000 *l.* In the early stage of institutions such as these societies are, almost the whole of the capital paid for annuities ought to be kept in hand to meet the demands to arise out of the particular transactions in respect of which it may have been paid. I am mentioning these details, in order that the deduction I am about to draw, or to attempt to draw, may be more clear. There seems to have been 431,080 *l.* received on account of life premiums and as the purchase-money for annuities; and as 31,000 *l.* has been received as the purchase-money for annuities, there would remain about 400,000 *l.*, the greater portion of which has been received as life premiums. Then 75,000 *l.* has been paid in the shape of claims, and 12,000 *l.* as repayments on account of annuities, making altogether 87,000 *l.* The total sums expended having been 306,000 *l.*, it would follow that 219,000 *l.* in round numbers have been expended for managing the receipt of premiums amounting to 400,000 *l.*

710. If I understand you, 75,000 *l.* of that has been paid in liquidating liabilities which have been incurred?—Yes, out of the premiums received by these 28 companies.

711. Then what should you infer from that?—From that I should infer that the expenses of these 28 offices have been so much in excess of what the premiums would apparently bear, that some of the institutions included in that number must be in an unsatisfactory state.

712. That is the average result of the whole of the 28 offices you have mentioned?—Yes.

713. Some are in a much worse condition than others?—Some of them seem to be in a not improper state, but others exhibit a most unsatisfactory condition; I mean as regards their charges of management. One of the institutions has, I see, expended in management as much as 200 per cent. on its premiums; the sum I do not particularly recollect, and probably it might be as well not to quote it, if I did, because it would point out the particular office; but the amount of expenses spread over the whole time that they have been in operation, some three or four years, seems to have been 2 *l.* of expenses for every 1 *l.* of premiums received.

714. From what fund do you suppose that expense has been paid?—Out of the contributed capital; and there is an item in their account which would seem to indicate that they have borrowed some capital.

715. Is it a proprietary company?—It is a proprietary company.

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716. Is it not the case, as it has been represented to this Committee before, that the expenses of a company in the first years of its existence may be very disproportionate to its premiums, and yet looking forward and valuing the future risks of that company, as put against the future premiums of the company, it may not be in an unsatisfactory position?—It is quite possible to imagine that position of a company, but I am not aware of any well-established and successful company which has been placed in those circumstances. In order that I might be prepared to answer such a question in case it should be asked, I have got a statement of what had been the early expenses of some of the larger offices, most of which have been established during the present century. I have a list of 17 offices, most of them established at not very remote periods; I may venture to name several of them, because I am not quoting the figures, which apply to their own cases particularly; they are the Guardian, Imperial, Law Life, and Pelican, established in 1823; the Royal Exchange, the Sun, in 1810; the Victoria, in 1838; the Atlas, in 1808; the Crown, in 1825; the Economic, in 1823; the Hand-in-Hand, in 1836; the Legal and General, in 1836; the London Life, in 1806; the Metropolitan, in 1835; the Mutual, in 1834; the National Provident, in 1835; and the Rock, in 1806. I have mentioned the dates to show that they are not very old offices, and therefore not very remotely removed from the circumstances which may be supposed to govern offices at the present date; they have been good enough to communicate to me the average rate at which their institutions were conducted in each case during the first five years of their histories, and I find that the aggregate of the premiums of those institutions during the first five years, was 2,078,300*l.*; the aggregate of their expenses during those five years was 285,000*l.*, being a rate per cent. on the total premiums received during their first three years, of 13·7, or nearly 13¾.

717. Whereas the average rate of the 28 offices was upwards of 50 per cent.?—Yes, upwards of 55 per cent.; some were 200 per cent. I have looked particularly to the accounts of these 17 institutions individually, and find that very few of them vary much one from the other as to their expenses. There is some variation, but not any very great. Then, pursuing this inquiry to see how far the expenses could be ultimately reduced, I perceive, that although many of the offices were established so recently as 1834, 1835, and 1836, their expenses have now fallen on an average to about 8 per cent., and that includes the whole of the commissions which they paid to agents, as well as their gross expenses. The total receipts of those offices, during the last five years of their history, I find to be about 9,031,000*l.* It would be considerably more if allowance had been made for the reductions their premiums have been subjected to in consideration of the bonuses declared by them respectively; their expenses have been during the last five years about 738,000. Looking at these circumstances, then, I should think that, even in the imperfect form in which accounts are now rendered to the Registrar of Joint-stock Companies, something may be deduced from them that would guide any one understanding assurance accounts in determining whether the institutions are in a sound state or otherwise, although very accurate information may not be derived from the forms of statement now adopted by the companies.

718. Adverting to the different proportions of expenditure which you have described, is it not the case that, in the early stage of companies, the expenditure must be very much larger in proportion to the premiums than at more advanced stages?—It may be very much larger, but then that should have a limit; and judging from the experience of the 17 offices alluded to, it does not appear that there is any necessity for the expenses being so great, or anything like so great, as the average of those 28 I have ventured to bring under the notice of the Committee.

719. Is it not the case that in an assurance company the accumulation of premiums, from time to time, must of itself have a tendency, the longer the office is in existence, at all events, to diminish the per-centage upon the annual amount received, even although the actual expense be not diminished?—That would, without doubt, be so, unless some circumstance should operate to prevent the business of the office from increasing.

720. As long as the business of the office is increasing, viz., new premiums being added, and the old premiums accumulating from year to year, the per-centage even of an increased amount of expenditure might be lower than it was in the early part of its existence?—Yes; and I think the experience of almost all the assurance offices in London shows that to be the case.

721. If

721. If you take that single element of the expense as a criterion of the condition of the office, will it not apply only in such cases where there is a very extraordinary amount of expenditure; and would it not be possible that the expenditure of the office might appear at that time to be reasonable and not extravagant, and yet that the office might or might not be in a satisfactory condition, from other considerations not exhibited on the face of the account?—Yes; without doubt such might be the case.

722. Then the element to which you have referred now is upon the whole view of the account, viz., that if you saw a very extraordinary degree of extravagance, it would lead you to doubt the satisfactory position of the office?—I think I have already said I did not believe it would be an infallible test; it would be information valuable in some degree.

723. But it would be no information of that exact kind that would enable you, as an actuary, to judge of the actual condition of either an old or a new office; you would require to know the amount of business they had done, the quality of the business, the mode in which their capital was invested, and a variety of other things, before you could come to any satisfactory or general conclusion as to the condition of the office?—Before you could come to any satisfactory estimate of its precise position, you would require to know what was the state of their liabilities; you would require to know the actual kinds of engagements under which they were standing at the particular time, and the accumulated assets they might possess, as part of the means to meet them. It would by no means furnish an actuary, or anybody else, with the means of making an accurate estimate of the condition of the institution, although it would indicate, in some degree, the position of the institution, especially if you knew its history as to receipts and expenditure running over a series of years.

724. Might it not be quite possible that one of those old offices to which you have referred, which shows a very large amount of receipts and a very small amount of expenditure, might, from a variety of circumstances entirely distinct from those two elements, be in an unsatisfactory and unsound condition?—Yes; without any doubt it might.

725. Then the accounts, as published, although they may be useful to a certain extent, as showing the amount of expenditure and the extent of business done by particular offices, yet you cannot regard them upon the whole as being accounts which satisfactorily exhibit, or can satisfactorily exhibit, the condition of the office, so as to show whether it is solvent or insolvent, prosperous or not prosperous?—No; it would not enable you to form an accurate judgment as to their position; without knowing more than that, it would be impossible for the institutions themselves to know the precise condition in which they might stand.

726. Can you suggest to the Committee any form of account which to your mind would be sufficient to convey such information without unnecessarily exposing the transactions of the office?—I believe a great deal of information might be conveyed by annual statements, if they were confined to some few of the leading items of account, which items necessarily enter into the transactions of a life assurance society. I should attach more importance, a great deal, to a periodical return of the liabilities of the institution, with a detailed and very accurate statement of its assets, than I should to any annual statement of the accounts, if I could only obtain one or the other of them.

727. When you say periodical, what length of time do you mean?—Such periods as are fixed upon by the institutions themselves; periods of rest, or periods for ascertaining their position with regard to their general liabilities and assets. Those periods vary; they may be every three, five, or seven years. The Equitable Assurance Society makes such an estimate once in every 10 years only.

728. For public purposes, do you think it desirable that the period should be uniform?—I do not know that it is essential that it should be so. If it were attempted to make it uniform, it would embarrass the proceedings of a great many respectable assurance offices, without an adequate amount of good. I do not know any reason why they should all make their estimates at the same time. There may be reasons why it may be better that they should not all be called upon to do so at once. The actuaries of most of them are at those times very much pressed, and one actuary may represent two or three institutions.

729. In what form would you suggest that the accounts should be made?—I think

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I think the periodical returns can scarcely be put into a better form than that which has been used for a long series of years by the Equitable Society.

730. Is that published by them?—That form appears in the Evidence given before the Committee on Joint-stock Companies, in 1844, p. 57. It is headed, "Account of Assurances existing in the Society" (that is, the Equitable Assurance Society), "classed according to the ages of the lives assured." The account begins with the oldest age which they had on their books, which was 92; and they stated that at that particular age they had a sum of 2,300 *l.* assured to be paid on the death of a party on which sum they had also declared a bonus of 5,380 *l.*; so that that would have to be paid at death, in addition to the 2,300 *l.* In respect of that policy, or of those policies, whichever it might be, the society was in receipt of 92 *l.* 18 *s.*, per annum, as premiums.

731. Can you describe the form of the account just now?—Yes; that account is so given as to exhibit the amount of all the assurances of the society, and also the amount of the annual premiums which are paid to the society in respect of those assurances; for instance, in 1831, on the lives of all those persons who had then arrived at the age of 50, there remained assured 324,000 *l.*, and premiums were payable to the society in respect of those particular assurances, amounting to 9,001 *l.* 15 *s.* 6 *d.* per annum; so the account proceeds from the highest age given down to the lowest, which seems the age of 20. It is a curious circumstance, that the society did not appear to have had any assurance in force at that period upon a life below the age of 20, and that was upon one policy of assurance.

732. Then do I understand the principle of that account to be that it takes the aggregate amount of risks at each age?—Yes.

733. And states the aggregate amount of assurances at those ages?—Yes.

734. And the aggregate amount of premiums payable by the persons assured?—Yes; I am stating this in answer to the question, as to any form of account which it is thought might enable persons to judge as to the condition of the institution, independent of the rendering of a cash account, and I believe it would be a more faithful index of the condition of the society than the ordinary mode of stating a valuation of liabilities; and this account, as far as I have yet spoken of it, the committee will perceive merely records facts, and not opinions. There are no calculations founded on this account; the calculations must be an ulterior operation, and in fact may be performed by anybody who chooses to apply such data to it as they deem to be proper data.

735. Does it not state the aggregate amount of premiums received up to that date?—No, it does not; if it did so, it would furnish a very valuable element of estimate, but it does not do so.

736. Would an account be of any value without that?—Yes, it would be only an item of secondary value, because, in estimating the liability of an institution, the future alone is regarded, and not the past.

737. Is it not nesessary to know the amount of capital in hand to meet the existing risk?—Yes; but the capital in hand would not be indicated by the amount of premiums received upon those particular transactions, because a large portion of the premiums actually received would have been paid away, to satisfy claims at deaths occurring previously to the date of estimate.

738. It would enable you to judge whether at other periods a particular life was assured by the premium that was exhibited as payable?—Yes, a part of the funds the institution might possess would be exhibited by the premiums received in respect of those transactions.

739. Are those the only three elements in that account?—There are other less important elements in that account. Some premiums are stated to cover risks beyond the ordinary risk of assurance; the risk of foreign residence, for instance, or something which may have occasioned the directors to make an addition to the ordinary table rate of premium. An additional column is given in the Equitable form, in which this extra premium is separated from the ordinary premiums that would be payable in respect of lives, having regard to the time and the age at which they may have commenced their assurances. I omitted these extra premiums, that I might not complicate the explanation I was giving.

740. These are computations that must always be made in every office when they take an account of their condition at any particular time?—They may not adopt the particular form of the Equitable, but something analogous to that is done.

741. It

741. It must be done in some form or other to arrive at similar results?—Yes, in the case of the Equitable Assurance Society, it is the ordinary mode of exhibiting the liabilities, I believe; that is, when they publish such matters.

742. These elements of the account to which you have adverted, are facts upon which any calculation nearly would be based?—Precisely so.

743. But they are not the calculation and estimate themselves?—They are not; because differences of opinion may exist as to the mode of dealing with similar facts in other institutions.

744. If there are differences of opinion, would it not be very easy to lay down some general average rule by which facts of those kinds might be dealt with, so as to work out the result upon some given general principle?—I fear there would be very great difficulty in doing that, for a reason which, if you will permit me, I will explain; one mode in which life assurance premiums are now formed is, that the actuary ascertains, according to his particular views, what may be considered a premium just sufficient to meet the risk which is about to be incurred; such premium may, for example, be 2*l.* per cent.; and having ascertained that it is deemed necessary for the sake of safety to make some addition to it, and it is upon that particular point, I think, that difference of opinion exists, and not upon the rate of human mortality which really prevails in assurance offices. As to such addition or margin, some actuaries may be very sanguine, and think it would be sufficient to add 5 per cent.; others may add 10 per cent.; others may think it not more than enough to add 30 or even 40 per cent., according to their views of safety and caution. If, then, you were to make any rule which should be applicable to valuing the outstanding risks of all offices in common, and were to apply an uniform data to all their facts, the effect of it might be to assign by much too great a present value to the premiums hereafter to be paid on the existing policies. If you applied the principles of valuation to the 2*l.* as a premium, and not to the 2*l.* as augmented for safety, you would probably come to a safe result; but if you applied it to the 2*l.*, with what had been added to it, that is, 5*s.*, or 10*s.*, or 15*s.*, as the case may be, then it would give so much larger a value to the premiums in reference to the value that had been assigned to the reversionary sum, that an office might be in a very unsound state, and by such a process appear to be in a very sound condition. Whatever fixed rule you may lay down would be liable to show uncertain results, just as it might be applied to premiums formed in one manner or formed in another. Some of the older companies adopt altogether a different method; they have not first ascertained what is termed the mathematical premium, and then made an addition to it; but as in the Equitable Assurance Society, the Rock, the Law Life, and many others, they, in the first instance, in computing their premiums, have assumed a rate of mortality which they think is much greater than really will prevail, and they have assumed a rate of interest for money lower than that which they think they will actually receive, and continue to receive, upon their capital and its accumulations; and then they have deduced premiums, the dry deductions from those more cautious data, which data include the element of safety attained by other offices by a different method. If, therefore, the table of mortality, and the rate of interest of money, agreeing with what was called the mathematical premium, were to be applied to premiums deduced in the method I have last endeavoured to explain, the computation would give such a result as would make it appear unnecessary for many years to reserve any part whatever of the premium received; or, in other terms, instead of assigning positive values to the assurances, the larger number of them would have negative values; so that an institution might seem sound, not only if it possessed no money at all or accumulated assets, but if it were actually in debt it would still appear sound; that is, by applying that which has been called the mathematical data to estimate liabilities of such an institution.

745. Would not it be possible to determine some average rates which might be considered moderate and safe, by the aid of those elements which you say are the subject of different computations, and of different opinions among actuaries?—No; an average rate might make new institutions which adopted premiums lower than the average appear unsound, when they might not be unsound; and it would make some of the other institutions which had adopted the full premiums appear very much sounder, or in a more prosperous condition than the truth would warrant. I am afraid you could not determine

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any average rate of mortality, or average rate of interest, which would not give uncertain results when applied to different scales of assurance premiums. It might be not impossible to determine some rule by which all assurance offices might value their business; but then that rule might not assume an uniform rate of mortality, nor an uniform rate of interest, necessarily. A rule might be established which should direct that the rate of mortality should be deduced from the premiums, and that all estimates of liabilities should be made on that assumed rate of mortality, a given rate of interest being fixed upon; but I do not know that it would necessarily follow that such a rule ought to be prescribed, nor do I know how the faithfulness of its application could be ensured, if the Legislature should take upon itself to fix such a rule. There would be great difficulty in devising any machinery by which it could be seen that it was carried out, without introducing such inconveniences as would be inseparable from a public interference with the internal arrangements of assurance offices, which would be not only very unpopular, but very undesirable.

746. Then you have three uncertain elements to which you have adverted, consisting, first, of the rate of mortality; secondly, of the rate of interest; thirdly, of the margin which particular offices may consider it prudent to put upon the actual mathematical risk, as it has been called, in order to come to the commercial risk?—Precisely.

747. Those are the three elements of uncertainty?—Yes.

748. Is it not quite possible to determine on a table of mortality that would be sufficiently accurate for all general purposes; not, indeed, to determine the precise amount of profit, or the actual amount of the business of the office, but generally to determine by calculations made for it, whether the office is in a safe condition, which the public would be interested in knowing?—I think not impossible, but undesirable; because uncertain data would give uncertain results, when applied to particular scales of premiums.

749. But does the scale of premiums in any way alter the risk of mortality, except so far as some offices, by charging higher premiums, would include worse lives, and others, by charging low rates of premium, would have more select lives?—I do not think there is much variation of opinion among actuaries as to what is the actual rate of mortality among assurable lives; the difference which I attempted to explain before, is in the caution of the actuaries as to the margin beyond that which they all agree is necessary.

750. You simply mean to say, that there is no form of account which, upon the face of it, would show the discretion which has been exercised in the selection of the lives?—Just so.

751. But, supposing ordinary discretion is used, inasmuch as tables of mortality are made up of good, bad, and indifferent lives altogether, there is surely some rate of mortality which may be taken as a fair average ground of computation?—I think you could determine no data with sufficient precision to make it desirable that it should be authoritatively applied in all cases. I am not sure that you might or might not fix upon some data upon which most assurance premiums could be established, so far as the premiums of an office depend on the arithmetical results from an assumed rate of human mortality as prevailing among assurable lives.

752. Suppose that you, as an actuary, were called into an office to which you were an entire stranger, and that you had access to all the transactions of the office, everything being laid before you and explained to you without knowing each individual life assured, and without knowing all the transactions as they pass, but simply the state of the office; are there not elements from which you would be able to make an estimate of the condition of that office?—Yes, in all probability; assuming that it was an office of the ordinary description, where none but select lives were originally assured, I should have little difficulty in satisfying my own mind of the condition of that institution; but I do not know of any rule that could be prescribed by the Legislature that you could depend on as being applicable to the condition of all offices.

753. If you have not difficulty yourself in applying a rule to an office to which you may be called in, would not that rule be applicable to any number of offices?—I am afraid there might be differences of opinion among actuaries when they are called upon, in those general terms of which you speak, to estimate the liabilities of a life assurance office; I think different actuaries, according as they

they have more or less discretion, or are more or less sanguine, would be very likely to apply different principles.

754. My questions do not refer to offices which avowedly take unsound lives and similar classes of risks; they only refer to offices which profess to take only the several select lives?—I should have no difficulty under such circumstances, because my duties frequently oblige me to investigate the liabilities of offices having different scales of premiums.

755. I suppose every office takes an account of its position, in order to ascertain what bonuses it shall pay to its assurers, so that they know in what position they stand?—Yes.

756. Is there any practical difficulty in every office doing that for itself?—There should be no practical difficulty, but there is a great difference in the methods taken by different gentlemen to arrive at that conclusion. I have seen it stated in print recently, as the result of such an investigation, where an office exhibited as its surplus or profit an account very greatly exceeding the sum total of all its assets; and the method by which that result was obtained was one to which I have just now reverted, viz., applying that which I called the mathematical principle for estimating the premiums they are in receipt of, after considerable additions had been originally made to the dry computed premium for the sake of safety. They value the future profit which they expect to make out of the transactions, and reduce that contingent and uncertain profit to present money. They call that profit, and in some instances, I fear, not only call it so, but profess to divide it as such. So that all the principles upon which the estimate of these liabilities depends may be perfectly agreed between different gentlemen, but the mode of applying them is so different that different actuaries going into the same investigation, and having all the facts, and only the facts, placed before them, would exhibit very different results, according as their views differed, that is, as great caution or great hopefulness prevailed in their minds.

757. Putting opinion out of the case altogether, suppose you were to condescend on a rate of mortality; then to condescend on a rate of interest; and then to condescend on a per-centage which is to be added to the mathematical rate of the risk, as it is termed; should you require anything further than these three things, given in order to arrive at a common result?—Yes, most assuredly I should; because some actuaries for the purpose of a valuation might estimate a portion or the whole of what had been added to the premiums, whatever that may be, as so much certain profit applicable to the purposes of the institution, neglecting the circumstance that the parties may cease to continue to pay their premiums, and so deprive the institution of that which had been calculated upon as a certain profit. If it were asked whether they ought to do so, in my estimation they ought not; but it is done, and I do not know that it would be practically possible to make actuaries generally agree to adopt any particular mode of dealing with the estimates which are presented to them.

758. But every estimate that is formed of the condition of a life assurance office, must be formed on the supposition that the parties assured will continue to pay their premiums?—The payment of the sum assured is contingent upon that, no doubt; but it is optional with those who make the assurances to continue their premiums or not as they may think fit; and if in the meantime you have estimated the profit attributable to each premium, as an element of your financial or pecuniary position, and assume that the institution will certainly receive it until the time the life shall die, and the party should drop the policy, then you lose a portion of that which you have set down as profit, and it is not really available, although you have assumed it to be so.

759. Then does not the office gain far more by dropping the risk?—No, certainly not; probably I may give an instance which will make the matter more plain than any principle I can lay down. Provided an assurance were made to-day for 1,000 *l.*, and the premium should be 30*l.* per annum, if the next day an actuary should estimate, in the first place, the liability with regard to the sum assured, and say "I consider it to be worth 400*l.* in present money," that is taking a very moderate estimate; on the other hand, the 30*l.* premium includes something which has been added for the sake of safety to the dry computed premium; if I value that premium on the same data that I had computed the original dry premium upon, I might estimate the 30*l.* premium as worth in present money 600*l.*; then I should appear upon that day to have made 200*l.* profit on the assurance, although I had received but 30*l.* in respect

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of it. Now, if the value of the risk which the institution might have to incur during one year, in respect of which the premium had been paid, were 10*l.*, then the profit, if the policy were dropped at the end of one year, omitting expenses and the other considerations, would be 20*l.*; but if I had made an estimate on the day following that on which the assurance had been effected, and had then valued the profit at 200*l.*, although, in truth, the institution would have made only a profit of 20*l.* in the event of the policy being abandoned at the end of the year, the profit realised would be 180*l.* less than I had assumed it to be. Instead, therefore, of making a gain by the abandonment of the policy, I should make a loss to the apparent amount of 180*l.*

760. Does not that arise from the fallacy, that, in the first place, you are computing the profit of future years as having been already made?—Yes; that is the very thing I am saying.

761. Would any actuary compute the profits of future years until they were made?—That principle, certainly, does enter into the mode of calculation adopted by some gentlemen. I do not adopt it myself.

762. That is not the principle you would advise any public account to be made out upon?—No; only if the Legislature should prescribe, or any authority acting under legislative powers should prescribe, the use of any particular rate of mortality, and any particular rate of interest, it would, in my opinion, be liable to misuse.

763. Would not the effect be exactly the contrary, that it would not be liable to that misuse; suppose we define that the estimate should contain only the addition to the arithmetical rate of risk, what should cover the expenses of the office without including profit at all?—I have already stated, in answer to a former question, that I could well imagine a rule might be laid down, but whether it would be desirable to lay it down, is a question.

764. Practically, the fact we want to arrive at is, whether you think any general account could be made out, of a kind that would be satisfactory, that would show the condition of the office, not whether they are making this per-centage of profit, or that per-centage of profit, but upon the whole, upon the broad face of the thing, whether the office is in a satisfactory condition?—Yes, I think the account I was endeavouring to suggest would enable any one to judge more accurately than probably by any other method, the condition of the office; that is, to make it imperative that there should be a proper registration of the facts under which the office might be proceeding with reference to its undischarged risks, without including any computation which necessarily involves the expression of opinion. It involves the expression of an opinion as to what data it would be proper to use under the particular circumstances of that account.

765. Could not you, in addition to those facts, make use of those facts on some general average data, which being well founded, without being subject to fluctuation one way or other, would give the general result, then leaving it to every person to make a computation for himself?—I am afraid, if you were to select data, being the mean of other data, the premiums resulting from it would be less than the premiums taken by some assurance offices, and it would exhibit their affairs in an aspect more favourable than they deserved, while all those offices that fell below that average data would appear in an unsound state, while, in reality, they might not be so.

766. Would not that be a very important element in judging of the office, viz., whether they formed a sound or unsound calculation of any particular risk?—I think it would not; an old office probably might not vary so much from these elements of truth as a young office; but in the office where the assurances had been made at a moderately recent period, the variations from truth might be very great. I may mention, probably, in confirmation of what I am now venturing to recommend as a form of Return, that this account of the Equitable Assurance Society which I have before me, as given in the Report of the Committee on Joint-Stock Companies in 1844, was taken by a gentleman of great eminence in his profession, and he used it as the foundation for estimating the condition of the Equitable Assurance Society itself, apart from the labours of the actuary of that society. This account was made up to 1831, and it is always, I believe, made up decennially, but it is not the foundation of their own estimate of their liabilities; they deem it desirable, as many other institutions do, that they should make a particular estimate of every policy by itself, and then the aggregate of

of the liability in respect of the policies is acted upon in the declaration of their periodical bonuses. Although the liabilities of the Equitable Society were over 10,000,000 *l.*, there was only a difference of about 10,000 *l.* in the two independent estimates, a sum comparatively trifling in so great an amount; and I think that form of return might fairly be made the foundation for estimating the condition of other institutions as well as of the Equitable Society.

767. Supposing such an account of facts merely were stated to the public as you abstracted from that table, would it not expose different offices to very different conclusions, and representations from rival offices, who choose to make their calculations on a different basis as to the condition of that particular office; supposing you had such an account published as you have before you, and you saw that account would be submitted to so many different modes of calculation as would show results so very different, would it not be exposing different offices to the calculations of various persons, who might be employed by their rivals or others, which might come to very different results, far from correct results, and, perhaps, prejudicial to such offices?—If that were a valid objection, then I should think any other form would be equally objectionable. I rather thought the question pointed, not to the consideration whether it would be agreeable to the offices to furnish such an account, but only as to the best method of putting the public in possession of such facts as would enable them to form correct opinions about an office. If it were thought objectionable to put such information before the public, then my remarks would fall to the ground.

768. You say the objection to carrying that account further than it has been carried (that is, to carry it to deductions, and not to confine it to facts), would be the difficulty of applying any common rule by which those deductions could be arrived at?—Yes, any common rule that would be satisfactory.

769. Then, what I wish to ask your opinion about is this; suppose the condition of every office represented by facts exactly similar to those in the account before you were published to the world, would it not expose different offices, according to the peculiarity of their business, to have calculations made by rival actuaries, or rival offices, so as to show them in a disadvantageous condition to the world, to which they would not be exposed so much were some common rule of calculation adopted in every case?—If the object be, as I understood the question to imply (and the only object of an account at all, I apprehend, would be that), to put the public in a position to judge whether the office were or were not sound, and therefore, whether it would be desirable to be connected with it; then I think such an account as this would be more available than putting before the public something which professes to be a valuation of the liabilities, without the elements of that valuation being under such control, as I really think it would be impracticable to bring it; it is only a choice of methods; such an account, or any account, would be open to misuse. I doubt whether any account could be framed which would not be open to misuse, if persons should take upon themselves to write adverse treatises or pamphlets about the affairs of their neighbours.

770. You have before you certain facts as to the condition of the office; you say it would be difficult to carry those facts further, so as to make an account which would show the condition of the office deduced from those facts, because it would be difficult to arrive at the common conditions on which that account should be made, even though you had the facts before you?—Yes.

771. What I wish your attention drawn to is this; suppose that all this raw material of an account were laid before the public, as applicable to all the different offices, those various calculations, which you say, in the first instance, would not enable you to come to a common deduction to satisfy the public, who shall apply it, and that that raw material of an account should be the subject, and necessarily would be the subject, of comments and calculations by rival offices, as to the condition of particular offices, and should go very far to mislead the public as to the condition of particular offices, why would it not be better to adopt some common calculation, some average calculation, on some authority which would place the result of those facts before the public, on some common average plan, so that the public at once would know from that source what the condition of the office was, and not subject it to the representations of rival offices, or various persons who chose to make calculations upon their own basis?—It appears to me it would be much better that the dry facts should be put before the public, because I do not see what sort of authority you would

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set up, which should determine the proper data to be applied, which you have supposed to be the average data.

772. If it is an authority nominated, for instance, by the Government, could not he lay down a table of mortality to begin with?—Yes; but any individual you could fix upon to lay down that table might lay down rules which would be felt to be very oppressive to those who differed in opinion from that authority.

773. Suppose the body of actuaries themselves were to agree upon some table of mortality, and some rate of interest; surely, if you are called in as an actuary, you can form an opinion whether the table used is a safe table or not?—I may have my opinion, but I am not aware of any body of actuaries that is in a situation to come to such a decision. I have seen printed statements of discussions among actuaries on the principles which should regulate the modes of valuing the liabilities of an office, and I am not aware that any decision was come to. I merely mention that to show the very great differences of opinion among actuaries upon that particular point.

774. Suppose it was determined that Mr. Finlaison's Table of Mortality should be taken as the standard, that 3½ per cent. should be taken as the standard for interest, and that in addition to that arithmetical rate of premium, 10 per cent. should be added for contingencies, would there be any difficulty in framing an account upon those principles?—I think there would be great difficulty in adopting it, and valid objections to it.

775. I am not asking whether the offices would adopt it?—I should, myself, think it a very doubtful experiment.

776. I am supposing there are three given determinations upon those three points, which are the uncertain elements; if all accounts were made on an uniform calculation of those three elements, or any other three you please, a person who thought the mortality unfavourable, or who thought the rate of interest too low, might make any allowance for it in his own mind; but these are the conditions on which the account is made; and would it not then be, as regards offices in general, a fair comparative test as to the condition of those offices?—I think the application of those principles would make some offices, if there be any such, which are in a very unsound condition indeed, appear sound. It would show so favourable a result of their affairs, that it would be printed in every form imaginable, and circulated, and so induce persons to look at that result, rather than to the result of calculations on data more applicable to each particular case.

777. Suppose the data should be considered too favourable, would not the result be equally favourable to every office?—No, not equally favourable; because it would bring out an apparently favourable result to some institutions, and to others it would bring out a result comparatively unfavourable, which would give persons who were ill-disposed to those latter institutions an opportunity of quoting the official results as an authority, and so doing them much more injury than any injury that would, I think, be done, by mere deduction from the facts.

778. How many people in the kingdom, do you think, would read those facts?—Not a very large number, certainly, judging from the very little interest taken out of doors in all matters connected with life assurance.

779. Then a few people only would read those facts?—Yes; but that would apply to all attempts to make any account or return, that it would be useful only to actuaries. I think, in many institutions, if you were to publish the facts that exist in their books, they would in all probability have their own attention more directly called to their condition, and thus induce the directors to do what, in many instances, they neglect to do; that is, to ascertain the condition their societies are in as compared with others. I believe that is one of the most desirable points that anybody can direct his labours to, viz., to make the directors of these offices investigate their own affairs.

780. You think the publication of such accounts of facts as you have referred to would be of as great use to the offices themselves as to the public at large?—I think they would be very valuable indeed, if they only desire to ascertain the condition of their own institutions, to which it is fair to infer they are very indifferent at present from the statements they often publish. There have been meetings of assurance offices at which they present accounts, or the results of accounts, which are made the subject of laudatory speeches at those meetings, sometimes followed by dinners and other entertainments, while those who are tolerably well acquainted with assurance offices would regard with perfect dismay

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the contemplation of those accounts. If they were put in a form which would bring them more immediately under the eye of the directors, those things could not take place.

781. From what you say, I apprehend you place very little confidence in the periodical accounts which are taken by the different offices for the purpose of dividing bonuses?—I do not place implicit confidence in a great many of them, but that does not apply to a majority of cases. From inquiry, I think a large number of offices are proceeding on principles of very great safety, and are doing a vast deal of good. I doubt very much whether the number of unsound offices can be great, particularly those of moderately long foundation.

782. Now, if there be any mode by which the office itself can arrive at a truthful account of its own condition, could there be any difficulty in that condition being arrived at in the same way for public purposes?—There would be no difficulty, I think, in arriving at it, but there may be motives occasionally for not arriving at it. There can be no difficulty. I do not say there is a difficulty, but I think that offices might be in a very unsatisfactory condition, and yet be made to seem very much otherwise, who would not be so if the facts of those institutions were placed in juxtaposition with the facts of other institutions. I can also well imagine, that if such a test as you are supposing were applied to all offices, with results given in columns, such a comparative statement might indicate pretty clearly who were sound, and who were unsound; but at the same time I do not believe the public would be so much gainers by that in information as actuaries would be.

783. Is there any form of account that you would suggest; suppose it were taken by the office itself, and authenticated by the directors of the company, and by an independent actuary, so as to show a general result without condescending to particulars?—The difficulty is to know how to prescribe and adopt any sufficient authority; that is the difficulty that presents itself to my mind.

784. Supposing there was such an authority?—If there were such an authority, I do not know that it would be very desirable or very useful; but if there were two authorities, both to be selected by the same body, the directors, for instance, I think the actuary who had made the original computation might very likely succeed in having another actuary selected taking his own views, and therefore the second would only confirm the first, and attain no end; but any other authority I can imagine must be an authority under the Executive Government, and that I am quite persuaded would never work beneficially.

785. Supposing that assurance offices had any motive made for them not only to submit to, but to wish for, such an investigation as should satisfy the Executive Government of their soundness, so as to make it rather a matter of desirableness on their parts, would there be any difficulty in some well-known actuary co-operating with the actuary and directors of the company, and testifying to the result of a periodical investigation, such as you have adverted to?—I think it would be objected to generally, under any circumstances; of course, I can imagine advantages to compensate for anything, but any advantages I can contemplate would be insufficient to compensate for the interference of any Government authority whatsoever; because I cannot myself see any sufficient security for an independent and proper authority being set up, which might not greatly clog the operations of the very best conducted assurance associations; and although such an authority might be set up now in 1853, I cannot imagine what security you could offer that there should be an equally good authority set up in 1863.

786. You are speaking now of the policy of such a thing, and not its practicability?—I am looking to that; I can imagine that the Government could by possibility set up an authority which should be useful, but I have no hope of their being able to do so practically, even with the best intentions. I do not think that would necessarily accomplish the purpose I suppose the Committee have in view, viz., to do the best for those who are using means to carry out in the best possible way their habits of prudence and forethought; and I also bear in mind that any suggestions which can be offered to the Committee of a practical kind are desirable; and I was going to remark with reference to it, that in the event of any public authority agreeing with the actuary of the institution, I see no difficulty; but in the event of their differing, I do not see my way out of the dilemma. It should be borne in mind that, in making these periodical investigations a very long time is occupied; in almost all institutions many months, but in large institutions they last longer, with all the inducements of private interest to be very rapid

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and very accurate in doing it; and if, when that was completed, another authority were to be called in, not stimulated by the same active zeal that the actuary of the institution might be, a very long time would be occupied in checking the first computations; and in the event of their differing, I do not know who is to settle the dispute. I do not know what authority after that you are to apply to. I am afraid it would lead to interminable disputes. It might even be exceedingly valuable at the present time, and another future public authority might take totally different views of things.

787. After such an examination of the condition of an office taking place, would there be any difficulty in any other assurance actuary, in company with the actuary of the office, going over the whole of the transactions and arrangements, and giving an opinion generally whether the office was in a safe condition or not?—I think there would be no difficulty, and such a course is not at all uncommon; I have sometimes been called upon to perform such a duty, and I am performing it at this very time in respect of an assurance office.

788. Then if there were anything wrong in the condition of the office, it would be discovered?—Yes.

789. If their general transactions, without descending to very minute calculations, were in a wholesome condition, that would also be apparent to an actuary?—Yes, with very little difficulty, so long as the control was in the directors; because then the directors call in such an authority as would be under their own influence, and would do everything to carry out with zeal, probably, the wishes of the directors; but if the authority were totally independent of the directors, then it would be a matter of uncertainty as to whether there could be such a disagreement between the two, as should bring the institution to a dead lock.

790. Surely that would make no difference as to arithmetical calculations?—If it depended entirely on arithmetical calculations there would be no difficulty in institutions generally, but there would be other circumstances which would enter into an actuary's duties in advising an institution as to its position.

791. Have you any other remarks upon this subject?—On this subject of accounts there was one other suggestion I was going to trouble the Committee with; although I have dwelt most on the importance of a periodical return of the liabilities and assets of the institution, I think it would be quite desirable that after setting forth the liabilities of the institution in regard to their policies of assurance, there should be some strict declaration, and I believe a declaration before a magistrate would be the best, as to the condition of their assets; because institutions, and more particularly modern institutions, are accustomed to set down as assets things which ordinary men do not consider to be assets at all. Among other things which are set down, there appears a portion of the funds of the institution which have been absolutely paid away for expenses of management, and they are afterwards set down as assets, because they regard it as capital invested, in transacting that business which may hereafter become valuable. Now, if that circumstance be declared, and those who are interested in the accounts have that fact clearly before them, there can be no particular objection to their making that use of it, and judging of it as they like. But when such an item is set down as a security, and would therefore be supposed to be money lent which might be returned at some future period, it is very much calculated to mislead, and consequently it would be highly desirable that such an account of their assets should be accompanied by some strict declaration as to the reality of the assets they profess to possess.

792. Would you require a list of assets, stating generally what they are?—Yes, in classes; so much in Three per cent. Consols; so much in Three per cent. Reduced; so much invested in mortgage on land; railway debentures, and any other heads under which advances may have been made.

793. Mr. *Glyn.*] And the rate of interest to be paid?—The rate of interest might be useful, as being some indication of the soundness of the securities.

794. *Chairman.*] With the elements of the account you have stated published periodically, is it your opinion that some very simple account, from year to year, in the intermediate period, would be sufficient to show the progress of the companies?—I think it would; I think, in the first place, whatever time is adopted in each institution for submitting the accounts, if a joint-stock company to its shareholders, and if a mutual assurance society to its members, would be usefully retained; but there should probably be a separate statement, showing the amount of premiums actually received by the institution, the amount of interest actually received

received during the year, the total amount of losses or annuities paid or incurred, the amount returned on surrendered policies, and the total amount of expenses paid or incurred, including any commissions that might be paid, or might be due. I think those accounts, given from year to year, would enable anybody to judge generally as to whether the institutions were progressing well or ill; and then, I think, a great dependence might be placed on periodical returns, such as I have previously suggested.

795. Could you suggest any means by which, without unduly repressing competition or unduly interfering with the formation of new offices, the public might be secured in the formation of new offices against purely speculative concerns which end unfavourably?—Having regard to the great importance of the business of life assurance, I think one means of doing that effectually, whether undertaken by proprietary bodies or as mutual assurance associations, would be to require that they should give some evidence of their responsibility, and the position they occupy in society, by obliging them, not only to subscribe a certain amount of capital, but that a certain amount of capital should be actually paid up and invested before they were permitted to enter upon those transactions at all; what that amount of capital should be, may be a matter of opinion.

796. You mean prior to complete registration?—Yes, or to their being permitted to enter into any assurance contracts whatever; I think in the joint stock banks there is a capital of 50,000 *l.* required to be actually paid up. Now for all purposes of life assurance a large capital is certainly not necessary. I have not myself perceived any evil to come from the establishment of mutual assurance societies, who for the most part have had no paid-up capital; but still there may be a degree of risk in the early progress of an institution which should make it wise, for that reason alone, to say that there should be some means for meeting possible early claims, which might exceed the amount of premiums received to meet them. But the main reason which I should have for suggesting the requirement of capital, is, that it appears to be the only test for the position in society occupied by those who found such important institutions.

797. You mean a test of their *bonâ fide* intentions?—Yes; it has occurred to me that a less capital than 50,000 *l.* might do; say 25,000 *l.* or 30,000 *l.*; 30,000 *l.* would be a small sum compared with the capitals which have been raised by most of the existing assurance companies. If it should be thought desirable that a capital should be required, there is one matter of detail I would venture to bring under the consideration of the Committee, and express my views about. It may be seen from the accounts now in the office of the Registrar of Joint-stock Companies, how the shares in many of the assurance companies have been subscribed for; and although the amount of shares taken by each of the members must be indicated, there seems to be no regulation as to what shall be paid up on each share; and, judging from the list of shareholders registered, and the very large amount of liability that seems to be taken by persons in very inferior stations in life, it might be wise to make a regulation to the effect that no person should be allowed to set up as a partner in an assurance association who could not pay up at least 50 *l.*, whatever the amount of his shares might be. I should propose, probably, that the shares themselves should not exceed five times the sum actually paid up on them, in order that a great accumulation of shares might not take place in the hands of improper people. I do not know whether in the evidence of the Registrar of Joint-stock Companies, or the Assistant-registrar, any inquiry arose as to the lists of shareholders deposited in that office; I have myself seen most of them, and I perceive, as a very great defect, that there is a very enormous amount of responsibility undertaken by persons in comparatively inferior stations of life, and whose circumstances in all probability would never permit them to pay one-fiftieth part of what they become liable for.

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798. *Chairman.*] The object of your suggestion being to afford a test and guarantee of their responsibility?—Yes; not necessarily for assurance purposes, not believing there is any great necessity for calling up capital for the mere purposes of assurance; but still I do not reject the idea that it is desirable to some extent for that object; what I have suggested would leave the case of

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mutual assurance societies unprovided for, and I would therefore suggest that if 30,000 *l.* should be deemed a proper capital to fix upon for a joint-stock company, that then there should be a guarantee of not less than 30,000 *l.* also paid up by those who set mutual assurance societies in motion. There is a further guarantee I would place before the Committee for their judgment, viz., whether it is not desirable that whoever takes on himself the office of a director, should have some fair amount, either of shares in a joint-stock company, or of a guarantee in a mutual assurance society, as a qualification for the interest which it is assumed he would take prior to accepting so responsible a duty as he would undertake when he became a director. What that particular amount should be, is a matter of opinion; I should think that no man ought to aspire to be a director of an assurance company who had not got 500 *l.* to invest in their respective concerns. I believe in some of the assurance offices in London the qualification for a seat in the direction is as high as 10,000 *l.*; in others, of course, it is very small. There is no occasion for making it anything like such a sum as I have stated, but 500 *l.* appears to be a very moderate sum to deposit for any gentleman who becomes a director.

799. I understand you to suggest the following as tests of the responsibility of the parties engaged in these undertakings: first, that there should be a periodical return of assets and liabilities; secondly, that there should be a declaration, possibly made before a magistrate, containing an accurate statement of the various details connected with the assets or with the liabilities; viz., the amount of premiums, the rate of interest, and the losses paid or incurred?—Yes; I should have added, of any payments made in respect of annuities granted.

800. The amount of premiums returned on surrendered policies?—Yes.

801. Then, thirdly, that there should be a certain amount paid up and invested of the capital of the company?—Yes, which I think might fairly be set down at 30,000 *l.*.

802. And, fourthly, that each shareholder should be required to pay up a certain amount, perhaps 50 *l.*?—Yes; that each shareholder should have a stake in the institution, which should call for his paying up at least 50 *l.*

803. And that each director, in the same way, should be qualified to a certain extent, say 500 *l.*?—Yes; that seems a reasonable sum.

804. In your opinion that would be advantageous, so far as giving the public satisfaction with assurance offices?—Yes.

805. Without imposing oppressive restrictions?—Yes; I am not proposing that these rules should be applied to any existing institution.

806. And with regard to a mutual assurance office, there should be the ordinary guarantee of perhaps 30,000 *l.*?—Yes.

807. The circumstances might be readily indicated under which that might be relieved ultimately?—Yes.

808. Mr. *Freshfield.*] I think I collected from your answer that you considered a valuation upon just principles of the outstanding risks would be a material part of an account of every assurance office?—Yes, without doubt.

809. In the supervision you refer to, as being practicable at certain periods, of the accounts of different offices, do you contemplate taking the value of the outstanding risks on the representation of their own actuary, on his explaining to you the principles on which he had made those valuations, or would you feel it practicable to enter into a re-valuation of each of those outstanding risks?—I should think, if the directors should take a second opinion, in all probability that second actuary would have sufficient faith in the labours of the actuary of the institution, by inquiring into the principles which had been followed, not to go into details; but if a public officer were appointed, I do not know how he could discharge his duties without going through all the details in precisely the same way as it is to be presumed that the actuary of the institution himself had gone through them.

810. From your knowledge of the labour of those details so undertaken by the actuary of the office, would not it require a large department by any possibility to check the value of all the outstanding risks?—Yes; seeing there are 150 assurance offices, it would require a very large Government department, and a very costly one.

811. Would you think it an unreasonable doubt put to you, whether in a very large assurance office the outstanding risks could be valued in three months?—I should think it is quite impracticable for any one, or two, or three persons, to value-

value in three months the liabilities of many assurance offices. I have had practical experience that it is not to be done within many months.

812. With a view to supervision, you have been asked as to certain rules or principles; would it not be very difficult to agree upon any principle upon which every assurance office should value its outstanding risks?—I have endeavoured to state so throughout.

813. Take, as one element in the account of outstanding risks, diseased lives; take a single case; a gout premium, estimated in consequence of the state of the individual; or a skin complaint, upon which you would be advised to add so many years to the life, say 10 years to a life of 30, so that you take the life at 40; should you consider that all the risk was compensated by the rate of premium, or would you, in valuing the outstanding risk, value the life as if it were 30 or 40?—That is one of the points upon which I have tried to explain that there would be so much difference of opinion, that without a knowledge of the internal state of the accounts to which it applied, if you attempted to make a valuation, I believe it would be more likely in many cases to mislead than to guide; and the object of the Legislature would be to guide, and not to mislead.

814. Then, as to the amount of premiums received, it would give you no idea of the class from whom those premiums were received, having the value estimated?—No; it should be required to state not only what premiums had been received in the bygone years of existing assurance, but the value of the premiums that were expected to be received in future years.

815. To show the solvent state of the office; that they were in receipt of so much for premiums?—I think if it were known to an actuary what gross amount of premiums had been received on all the existing assurances in the office, he could immediately indicate by approximation what such an institution ought to have; but it would not enable him to state distinctly what it ought to have, though it would be a valuable guide.

816. With reference to the answer you gave as to the amount of assets, would there not be a great difference of opinion as to the value of reversions?—There would be some difference, no doubt; but I do not know that reversions in assurance offices form so large a proportion of their assets, as to make a difference of opinion as to their value of any great consequence. It would be better that you should have such a valuation as you can get, than that you should have nothing.

817. If they had a very large capital, would it not be a material element how one company invested its capital to probably more advantage than the funds would furnish?—No question.

818. I think you have stated already, that you consider the valuation of outstanding risks a most material element?—It is.

819. And it is so far an element by itself, that it must be the result of that that should be carried to any account of profit and loss?—I should probably distinguish as to the object that is to be attained by the directors of each particular assurance company; it is most important that they should have, not only a valuation, both of their assets and of their liabilities, brought down into present money, which is the ordinary form, but then they should have it done in a manner which is quite satisfactory to themselves; and if the Legislature should think proper to prescribe any one method of doing it for all the offices alike, then I submit it would interfere too much with the directors. I think any really valuable information conveyed to the public, the directors of each particular office would be of course too ready to get for themselves. It would be very unwise, indeed, in an assurance office, not to get that done periodically; it is only as regards the possibility of making one mode of valuation apply to 150 different institutions, under public authority, that I am doubtful about.

820. In testing the probable prosperity of an office, you would make it necessary to compare the value of the outstanding risk of the present year with the value of the outstanding risk at the end of the immediately preceding year?—It would not be useless to do that; but there would be no particular object, that I am aware of, in comparing it with each preceding year.

821. Now, would not you consider that, comparing the one with the other, having surcharged the one of the present year with whatever had come to the credit of that account, and then debited the valuation of the next year with all the similar items of that account, there would be such a result as to enable you, after deducting the one from the other, to say whether the last year was more or less profitable than the preceding year as to that account?—Yes; but I doubt whether

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that process is adopted in many assurance offices. I think those whose affairs come most under my notice do not make any valuation from year to year; I am aware it is done in some, but in a very small number. The ordinary practice is to make a valuation, and then let the annual account of the institution tell its own story; wait until the next periodical estimate made, to ascertain actually what their position is. I do not think those estimates are kept up from year to year generally.

822. Should you consider it an additional satisfaction that, although the periodical valuation should be at the end of three years, or five years, you should know from year to year that you were not retrograding?—No; I think the losses of successive years alone, unless you had a very great variation in the losses, and which would show itself from the mere inspection of the annual account, would give all the information that would be absolutely essential. It would show any sudden influx of bad fortune; you could not very well be deceived as to your institution having had a bad year, by merely comparing the losses in the one year with the other.

823. Or is it because your circumstances had improved by younger lives coming in?—The mere fact of younger lives coming in would not improve a bad account, because they would bring their responsibilities with them; each assurance which comes, brings its responsibilities with it, and does not necessarily improve an account that is bad.

824. You would have a right to assume the parties to be insurable?—Each assurance brings its responsibility. I do not consider that a considerable influx of young lives would necessarily alter the prosperity of the institution; I think we should acquire quite sufficient information by making periodical valuations, and watching our accounts, without having annual valuations; that has been the practice in those institutions with which I am best acquainted.

825. Mr. *Glyn*.] You told us you were employed to examine the valuations of other companies?—Yes.

826. You told us the difficulty of prescribing a general principle upon which any account could be made out; perhaps you will tell us on what principle you proceeded in making out the accounts of those offices?—In all the offices, I had reference to the special circumstances of the office, and to its scale of premiums; I did not apply necessarily to one office the principles which I had applied in another.

827. Then, in point of fact, you only tested their own valuations?—On the contrary, in some instances, I had to make the valuations, and then I have made them on different data, according to the circumstances of the office.

828. In making those valuations, what table of mortality did you take?—In some instances, where they used the Northampton Table, I took that in making my estimate of the outstanding risk.

829. Then in testing the situation of those particular offices, you took as the very ground-work their own valuations?—Yes; data which accorded with their cases.

830. And did not impose upon them any other test that you might have thought necessary under the circumstances?—No; in fact, the result might be very nearly the same as if I had applied some other mortality table, if that other mortality table had been made the foundation of the premiums used; the results are not widely different, if you use the Northampton Table in valuing the outstanding risk, if the office have used the Northampton Table previously, than if you use another table, if that other Table has been made the foundation of the premiums of the office to which they apply.

831. Then as to the rate of interest?—The rate of interest I have almost uniformly used is 3 per cent.

832. Mr. *J. Ball*.] With reference to the subject you touched upon in the early part of your examination, the comparison between the amount of premiums and the expenses of different classes of life assurance companies, is it not true, the lower the premiums, the larger will be the ratio of the expenses to the premiums?—It would be; but that would only make it the less desirable, because the lower the premiums, the less can have been added to that which has been called the mathematical premium, to bear annual expenses, or any other deduction.

833. In point of fact, the older companies did originally start with higher rates of premium than have been adopted by the majority of the newer companies?—Yes, they did, most of them.

834. And

834. And they have been enabled to distribute bonuses, or in other ways to give advantages to the assured, or else to accumulate large capitals out of the large margin they have allowed in their premiums?—That has been only one element in the account.

835. Does not that to some extent modify the startling result you stated from the comparison between the expenses and the amount of premiums of those 28 companies?—No, because I think the premiums of the older offices are not so much higher than the premiums taken by the offices I have mentioned, as to make any material difference. In some of the offices the result of whose premiums in reference to expenses I have given to the Committee, the premiums are exceedingly low; and in one of them, which has a very large receipt of premiums, if my memory serve me, they state they adopt the lowest scale of premiums of any office in London giving bonuses.

836. With reference to the three elements which constitute the difficulty in estimating the position of an assurance company; in the first place, as to the basis, the life table, are you of opinion, considering the different classes of lives assured by different offices, the scale of premiums can be an element approaching to strict accuracy for different classes of lives?—I am not quite sure that I understand what you mean by different classes of lives.

837. In point of fact, do not a large number of assurance associations apply themselves by preference to the assurance of lives in different professions and pursuits?—Not a large number; some of them do.

838. Is it your opinion that the rate of mortality does vary in different professions and pursuits?—Possibly that may be the case with the mortality among different tradesmen, but I doubt whether the rate of mortality differs greatly in assurance offices; of those, the mortality in which it has been my duty to investigate, some of them have been class offices, and two or three large ones which have been of a perfectly general character, and include lives without selection as to class; I think there has been no great difference in the rate of mortality in any of them.

839. Is it not generally believed that the medical profession has a much higher rate of mortality than the clerical?—I have heard it stated so, and I believe it is true; but I do not know that the medical profession have more than one institution in which even their name appears as very predominant, and in that institution I do not think they form a majority of the total number of persons assured.

840. Would you be prepared to say that we may take an uniform life table as applicable to all assurance establishments?—I think it might be made perfectly safe to take some one mortality table as a basis on which to compute premiums for most institutions. If the table were such an one as would be supposed to represent the rate of mortality among select lives, then if it had to be applied to a class supposed to be shorter-lived than the other classes, it might only call for a greater addition; I do not know that I should select any one table for all purposes, but I can imagine that one table might be selected as the basis for valuations generally.

841. With reference to the rate of interest, the uncertainty which has been spoken of refers rather to the mode in which the company either do or may hereafter invest their assets?—If the institution had the means of making a high rate of interest, of course they would be warranted in taking lower rates of premiums.

842. If I correctly understand you, you say one of the points which create the difficulty in estimating the condition of an assurance company is the uncertainty of the rate of interest?—I do not recollect to have said so.

843. You do not consider that as a difficulty?—No; there is little disagreement of opinion between practical actuaries as to the rate that is to be assumed. I think 3 per cent. is the rate assumed now; it may be departed from in some cases, but not in many.

844. Then the chief element of uncertainty is the mode of valuing the liabilities arising from the irregular way in which the offices frame their tables of premiums originally?—Yes, I think so; the uncertainty is in the mode of applying known principles to different scales of premiums.

845. Has there not been a great deal of uncertainty as to the valuation of reversions and contingencies?—No; I believe there is no great uncertainty.

846. A great difference of opinion, or practice?—No; I think there is very little difference between most of the actuaries; in valuing reversions, I think we arrive at conclusions very close to each other; that is, experienced actuaries.

 847. A complete

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847. A complete mathematical solution has been given by Mr. Hargreave?—I think we have had little to learn upon that subject for many years. There has been occasionally a great deal of ingenuity, and meritorious ingenuity, exhibited in modern times as to improved methods; but there is no very great improvement in our knowledge on those points as to mere results.

848. It is not your opinion that the public generally would be enabled from such facts as you referred to, if published periodically, to draw safe conclusions?—I think not without assistance; at the same time, I think that is preferable to misleading by false statements; that is the way I wish to put the case.

849. You think the chief practical value of such published statements is to bring the directors of each company to a knowledge of their own affairs, and prevent them undertaking business on principles, in a way likely to be prejudicial?—That is one use that may be made of it, but not possibly the principal use; I think the principal use would be to enable any one interested in the affairs of the institution to acquire a better knowledge of it than they would from the mode in which the assets and liabilities are brought into present money, without the elements on which the valuation is founded being known. It is better that you should have the elements without the valuation, than that you should have the valuation without the elements.

850. In point of fact, however, with respect to the institutions which have been established for a certain time, and whose business is tolerably uniform, do not the liabilities arrive at something like a stable or uniform condition, the new lives replacing those that expire?—No; there are not many institutions in that condition; there are some, possibly; and some of the institutions, from particular circumstances, are going down very rapidly. Their liabilities are very much decreasing; their transactions in some are stationary, and in others are not in extent more than half what they have been; and there are others upon the table-land, if it may be so described, of their prosperity, and are going on in the manner which you suggest; but by far the greater number of the assurance institutions are not such as you have described.

851. Then it will not be safe to assume as at all generally true that these institutions get to a tolerably uniform position with respect to their future liabilities?—I think not; I do not think there is any large number of institutions in that condition; most of them, I think, are increasing or decreasing; there are very few that are stationary.

852. In point of fact, does not the stability and security offered to the public by an assurance institution depend much more on the care with which its business is conducted, viz., the care with which the examination into the condition of individual assurers is ascertained, and the mode of investing and securing the assets of the company, than on the mere basis of the calculation, or the general principles which may be laid down at starting?—I should think the mode in which lives are selected, as it is ordinarily termed, that is, the care taken in accepting none but desirable lives, is an exceedingly important element; and the best calculated scale of premiums in the world would not make an institution safe that is careless in accepting all the lives that are brought to it.

853. You think that precise point which you rely upon as most important, eludes the investigation of an actuary or the inquiries of the public?—Yes, and with that view I, at an early period of my examination, stated I believed nothing the Legislature could do would enable the public to understand very accurately the condition of life assurance societies; the only thing that can be accomplished, if any thing is to be accomplished, is to attain something which may be useful, although it may be only periodical.

854. Mr. *Geach.*] The statement you have laid before us of the Equitable Society, you say you think, if that statement were made, and then annual accounts given, that would give to persons pretty well informed upon the subject a good notion of the position of any particular office at any time?—Yes, I think it would.

855. Then the only question is, whether such an account might not be prejudicial, if so given, to young offices; or do you think, if they were at the same time to name the number of years the office had been established, that would be taken into account when such a statement was made?—It would probably be a very proper arrangement, and in any evidence I have been giving to the Committee, I should wish it particularly to be understood that I have not desired to prejudice young offices in any way; quite the contrary. I have been connected in bygone years with offices that were then young, and have become very important institutions,

institutions, and therefore I should be careful not to say anything which could be disparaging to young offices, merely as young; but still I think it desirable that the public should know the condition or state of all offices, young or old. *C. Ansell, Esq.* 2 May 1853.

856. If any office that had to make a return of that kind, and follow it up by annual returns, were in an unsound condition, it would expose it?—I think it would; if the institution were unsound, in all probability it would be sufficiently apparent to lead to inquiry; it would not necessarily drive them from the institution; it would lead to inquiry.

857. Then I gather from the whole tenor of your evidence, that anything further than a mere statement of facts such as that would be fallacious, inasmuch as no given rule could apply to the varied circumstances it would have to be applied to?—I have endeavoured to express that; I am afraid, if any opinion given by authority were put forth to the world, it would be more likely to do mischief by inducing a false security, than good, by any certainty that could be deduced from it. That is the view I take.

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MEMBERS PRESENT.

Mr. Wilson.	Mr. Mullings.
Mr. Hamilton.	Mr. Geach.
Mr. Sotheron.	Mr. Cowan.
Mr. Danby Seymour.	Mr. John Ball.
Mr. Thomas Chambers.	Mr. Muntz.

JAMES WILSON, Esq., IN THE CHAIR.

Charles Ansell, Esq., recalled; and further Examined.

858. *Chairman.*] DO you wish to add something to the explanations you gave on the former day?—Yes; when the Committee broke up I had not an opportunity of making so clear as I could desire some of the answers I gave in answering the questions of the Chairman as to the possibility of fixing on some data, viz. some table of mortality and some rate of interest, which might be adopted by all assurance offices in estimating their liabilities under the policies they may have in force. I do not see any particular difficulty in fixing on such data; but my doubt is, as to the advisability of obliging all assurance offices to adopt the same data for such an object, for the reason, that in many institutions the mode of valuing their outstanding risks is prescribed either by their respective deeds of settlement, or by some other binding contract from which they cannot without great difficulty depart. Another reason is, that in almost all life assurance societies a great deal of their labour is performed by the aid of tables which have been formed by the expenditure of much time; and all that labour would be thrown away if any legislative enactment were to oblige the disuse of that and the adoption of any other tables. That, therefore, would be a practical difficulty and objection of a very powerful kind. Moreover, the schemes which they have long acted upon, and advantageously so, to the assurers, in the division of their profits from time to time, have been made with relation to the particular methods by which they value their liabilities, and afterwards assign their surpluses among those who are entitled to share in them. That is one of the strong objections to the adoption of any uniform table. Another is, that unless the rule be universally applicable, it would in many instances very much mislead those who sought to have their judgment influenced by its use, and so partially defeat its own object. As an instance of what I mean by the last observation, I would state that a number of assurance offices in London, and some of them of great respectability, assure what they term unsound lives, viz., lives which either have been rejected, or would be rejected, if proposed for assurance to those institutions which profess only to assure sound or selected lives; consequently, such a table as is proposed to be universally applicable, would in those cases lead to result more calculated to mislead than *C. Ansell, Esq.* 5 May 1853.

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than to inform, and so the very end sought to be obtained by the use of uniform data would be defeated. I believe that is the only remark I have to make in explanation of that point. Another point I see I omitted to state, is in relation to other questions put to me regarding the guarantees which might safely be taken from the projectors of new assurance offices, so as to mark the *bona fides* with which they might be set on foot. After recommending that no shares should be permitted to be created on which a less sum than 50 *l.* should be actually paid up by one person, and that each director should have a paid up interest in the institution to the extent of 500 *l.*, I omitted to state that some restriction should be established to prevent either directors or shareholders in the case of a joint stock company, or those who might subscribe to the guarantee in a mutual assurance society, from borrowing back from the institution any part of the money which in the first instance he might have paid, or appeared to pay up as a shareholder; inasmuch as it is believed to be not an unknown practice, that shareholders have in the first instance advanced a sum of money, when it takes the form of a paid up capital on shares, and then they have borrowed back that sum of money, or part of it, so that, in fact, they cease to have that interest in the institution which the subscription of their names to the share list would lead the public to believe they had. There would seem to be no hardship in prescribing such a rule as I suggest, because if the parties had in their possession proper security to deposit, which would warrant the making of advances to them at all, it would be, or should be, just as valuable and available in the money market elsewhere as it would be in their own institution; and if the security should not be of a marketable character, then it would only be the more desirable that they should be restricted from taking out of their own partnership concern the money which they had invested in it, in order to give an apparent security to others. Another point is in regard to questions put to me by the Chairman, as to the probable usefulness of having some check officer appointed, that should have some control or supervision over the accounts of these institutions. I have not had an opportunity of reading over the evidence which I gave at the last meeting of the Committee, but it may probably be inferred from it, that I thought no officer could be appointed having a knowledge of the business of life assurance usefully in working out any new regulation on the subject of life assurance accounts. Now that is not exactly what I intended to convey, although I fear my words did convey that meaning; but I think, having regard to the fact, that probably one hundred and fifty millions of life assurance contracts exist in this country, it is in the first place very desirable indeed, that any registration of the transactions relating to them should be kept apart from the ordinary registration of the accounts of joint stock companies. I therefore desire to suggest, in the first instance, that there should be a separate registry of assurance companies, and I would also suggest the desirableness of having some public officer at the head of that registration thoroughly acquainted with the business of life assurance, because I believe that no one unacquainted with the internal management of a life assurance office could be so well prepared to detect and point out a departure from any regulations prescribed by the Legislature in regard to life assurance accounts as one who had become thoroughly acquainted with the minute points connected with the practical business of life assurance. But what I did desire to express was a very strong doubt as to whether it was possible to work a life assurance office, however respectable, without the greatest possible inconvenience, if such an officer were permitted in any way whatever to interfere with the discretion and management of the directors of the institution. Such an officer might very properly have it assigned to him as a duty to report to some public department any failure that might take place in complying with the legislative requirements by such institutions as those to which reference is now being made. He might also be made either the official prosecutor for penalties, if they be imposed by the Act of Parliament, or to give directions to some one else to discharge that duty. The want of such an officer, or of such duties assigned to some officer, seems to have been felt by the present registrar, who, with a perfect personal knowledge of many omissions in matters which ought to have been performed, states himself to be powerless as to the application of any remedy. I rather think also (and I am now speaking of the interest of the policy-holders, not of the interests of the life assurance companies) that having reference to the assured's interest and its magnitude, it would be a great improvement upon any system of registration, if it were established that a very full return from such an office should be made annually, either to a public

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public department or to Parliament; I should say to Parliament in preference, because in all probability whatever information might be given, would then be ordered to be printed, and would be made useful for public inspection and examination. On some one occasion, probably at this time, I believe, notwithstanding it would certainly involve some expense, it would be most useful that Parliament should call for a return from the present registrar of Joint Stock Companies, of every document and paper that has been registered with him since November 1844, when the present Joint Stock Registration Act came into operation. The deeds of settlement would be found to contain a great deal of valuable information as to what was done, and what was omitted to be done; those would be the longest documents, and the documents about which the greatest difference of opinion might exist as to the desirableness of printing them. But there is another class of documents in the Registration Office, viz., the lists of the shareholders, and the modes in which the present law is carried out with reference to making up the capital, which I am persuaded would be most interesting and useful, if known to those who are now directing their minds to the inquiries which form the subject of this Committee's labours. It is true that all those documents are now open to the inspection of the public, on payment of a very small fee, I think a shilling; but there is frequently a great objection to persons who desire the information which those documents contain, taking the trouble to obtain it, because there is the loss of time in going to the registrar's office for it; then, the waiting for a turn to have the document produced; and although there is every disposition, I believe, on the part of the officers to give every possible aid, there is very limited accommodation for the inspection of those documents. There is also a further objection, that the documents relating to any one institution are kept in a portfolio by themselves, and they are written in all sorts of handwritings, and in all sorts of sizes. The principal other point which I wanted to put on record was, that in reference to the accounts, or rather returns, which I suggested it might be desirable to have returned periodically, it would be quite essential that every class of assurance made in the office should be kept at the proper place, and the conditions under which each class of assurances might be made, should be distinctly stated at the head of whatever list might be put in, and referring to each particular class, so that if a premium in one class of assurance should be made payable during the whole of the assurer's life, such policies should be kept entirely distinct from another set of policies where the premiums had to cease at a particular age, inasmuch as the applying of any data to a valuation would give a different result in the one case and in the other.

859. That would all come out, would it not, in the valuation of the general business of the office?—Yes, if properly made.

William Thomas Thomson, Esq., called in; and Examined.

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860. *Chairman.*] YOU are an Actuary by profession, I believe?—Yes.

861. What offices are you connected with?—I am manager of the Standard Life Assurance Company, and of the Colonial Life Assurance Company.

862. Those are both Scotch offices?—They are.

863. Has your attention been called particularly to the working of the Act of 1844?—I have examined the Act, and watched its progress.

864. Have you any suggestions to make as to the incompleteness of the Act for the objects it had in view?—I think it is incomplete in many respects, and has not worked efficiently.

865. Will you state to the Committee in what respects it is deficient?—First, in the absence of any provision as to the amount of capital to be paid up, and the want of sufficient provision as to stock and shares generally. Secondly, in the absence of sufficient power in the hands of the registrar to require returns and inflict penalties, and also the small amount of these penalties. Thirdly, in the absence of any provision in the Act as to the particular form of balance sheets to be recorded, and the want of distinction between ordinary and investigation balance sheets. Fourthly, in the want of a proper officer, practically acquainted with the constitution and the practice of life assurance societies, and the principles upon which they proceed, and the consequent want of proper information on the part of the Government as to the progress of these institutions.

866. Do you mean a public officer?—Yes, an actuary or auditor; a proper officer qualified to examine and understand the accounts and proceedings of such societies.

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867. You mean an officer on the part of the Government, to have the general superintendence of that department?—I do.

868. Will you state any other points?—The responsibility of the partners in a joint stock life assurance office ceasing after three years, under the 66th section of the Act, I consider objectionable. These are generally the objections I entertain.

869. Have you any suggestions to make with a view to remedy the evils of which you complain?—I have made a few notes of the leading suggestions which I would beg to offer. I should say, first, that a separate Act should be applied for, applicable exclusively to the registration of assurance associations, and extending to the whole United Kingdom.

870. You would keep assurance associations separate from other joint stock companies?—Yes; from all other joint stock companies. I should also say that the capital of each new company should be fully subscribed, and the deed of settlement deposited with the registrar, before the company be entitled to commence business in a proprietary office.

871. When you say the capital subscribed, would you require that any portion of it should actually be paid up?—Yes, I should say 50*l.* shares, with not less than 50 partners, and 10,000 shares; not less than 2*l.* per share to be called up, and one half to be deposited with the Government.

872. You propose then that 20,000*l.* of capital should be actually paid up, that one half of that should remain in the hands of the directors, and that the other half should be deposited in Government securities?—Yes.

873. Being under the control of the Government?—Yes.

874. Are there any other regulations that you would think desirable?—I should say that no mutual office should be allowed to commence without 200 promoters, and a deposit of 10,000*l.* with the Government.

875. Should you propose 10,000*l.* in that case to be the whole paid up capital?—Yes.

876. Nothing being left in that case with the directors?—No stipulation that there should be; being a mutual office, they might subscribe a further fund among themselves to carry the business on.

877. In what funds would you invest the 10,000*l.*?—In Government securities.

878. Under the control of the Government?—Yes; I may quote a precedent for that with reference to another country.

879. You consider some paid up capital, both in the case of proprietary offices and mutual offices, absolutely necessary for the purpose of defraying the preliminary expenses and early contingencies of the office?—I do.

880. And it is with that view you recommend that this paid up capital should be provided for?—It is one reason.

881. Would one of your views, in requiring that paid up capital, be, that you should have some test of the respectable position in society of parties promoting new assurance offices, and also of their *bonâ fide* intentions with regard to the public?—Certainly.

882. Are there any other suggestions you would wish to make with the view of removing the evils of the present system?—Yes, the recording of annual balance-sheets.

883. Has your attention been called to the present balance-sheets published?—Yes, I have examined them.

884. Do you think they are sufficient for the purpose they have in view?—Some of them are quite unintelligible; from others you can deduce what the progress of the company has been.

885. Would you be able to judge by any of them of the condition of an office?—Within a few years from the establishment of the office, a fair deduction may be made from its receipts and expenditure, how far it is solvent or insolvent, assuming it has no capital to fall back upon.

886. When you speak of capital, do you mean a capital subscribed by the partners?—Yes.

887. Not an accumulated capital?—No, a subscribed capital.

888. In a former answer you allude to ordinary and investigation balance-sheets; will you explain to the Committee what you mean by that distinction?—By an ordinary balance-sheet I mean a balance-sheet which shows the result of the cash transactions of the office (as recorded from day to day) at the end of particular periods, when the balances are struck. By an investigation balance-sheet I mean the adjusted balances of accounts after a valuation of the assets and liabilities of the institution.

889. By

889. By an ordinary balance-sheet do you mean an annual balance-sheet, and by an investigation balance-sheet do you mean a periodical balance-sheet?—Yes.

890. Running over a few years?—Yes.

891. Have you any observations to make to the Committee as to the form in which the annual balance-sheet should be given?—I have prepared a form to which I have already given publicity.

892. Can you describe to the Committee the principle on which that balance-sheet is formed?—I do not know that I can describe it in any other way than by stating that it will show fully the receipts and expenditure, and progress of the accumulated fund. Taking the company from its commencement, it will consist of a record of the cash transactions of each year brought to a balance in the ordinary mercantile manner. After an investigation, it will consist partly of values brought forward, and partly of cash transactions.

893. Do you mean by that, that it will show the receipts and expenditure of the year?—The receipts and expenditure of each year as stated on opposite sides of the ledger.

894. An account current of the transactions of the year?—Yes; the balance-sheet relates not only to the period which elapses between the formation of the company and its first investigation, but it is also suitable for a company during its subsequent progress. At investigations the balances of the accounts require to be written off to an investigation account, and the new balances proceeding on the valuation of the company's affairs are brought from that account, which balances then form the basis on which the company recommences its proceedings; to these balances its cash transactions are added till the next period of investigation, when the same process is repeated.

895. Generally speaking, what you mean by an annual balance-sheet is simply an account current of the transactions of the year, and by an investigation balance-sheet you mean a valuation of the assets and liabilities of the office at particular periods?—Yes.

896. Do you happen to know what the practice is with regard to assurance offices in the United States?—Yes, I have made inquiries into the subject; and I produce an extract from the Act of the State of New York of 1849, "To provide for the incorporation of insurance companies," and another Act of the same State, of 1851, "In relation to all companies transacting the business of life insurance within this State."

897. Will you hand them in?—[*The same are delivered in.*]

See Appendix.

898. With reference to the control which the state of New York exercises over their offices, somewhat analogous to the control which we attempt to exercise by the Joint Stock Companies' Acts which we have been discussing, will you describe to the Committee as well as you can what the practice in that state is?—They require a deposit in the hands of the Government, or on securities of which the Government approves, to the extent of 100,000 dollars, or about 25,000 *l.* in round figures. By these Acts an officer called a comptroller is appointed, with certain powers with reference to the offices.

899. Will you describe as well as you can the powers he has?—Clause 5 of the Act of 1851 provides, "That it shall be lawful for the comptroller, whenever he shall deem it expedient so to do, to appoint one or more competent persons, not officers of any life insurance doing business in this state, to examine into the affairs of any life insurance company incorporated in this state, or doing business by its agents in this state, and it shall be the duty of the officers or agents of any company doing business in this state, to cause their books to be opened for the inspection of the person or persons so appointed, and otherwise to facilitate such examination so far as it may be in their power to do; and for that purpose the comptroller, or the person or persons so appointed by him, shall have power to examine, under oath, the officers and agents of any company relative to the business of said company; and whenever the comptroller shall deem it for the interest of the public so to do, he shall publish the result of such investigation in one or more papers in this state." Then the 6th clause provides, that, "Whenever it shall appear to the comptroller, from examination made under his direction, that the assets are not sufficient to insure the outstanding risks of any company incorporated in this state, he shall communicate the fact to the Attorney-general, whose duty it shall then become to apply to the Supreme Court for an order, requiring them to show cause why the business of such company should

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should not be closed, and the court shall thereupon proceed to hear the allegations and proofs of the respective parties; and in case it shall appear to the satisfaction of said court that the assets and funds of the said company are not sufficient as aforesaid, the said court shall decree a dissolution of said company, and a distribution of its effects, including the securities deposited in the hands of the comptroller. The Supreme Court shall have power to refer the application of the Attorney-general to a referee to inquire and report upon the facts stated therein."

900. The clause you have just read provides for an investigation at such times as the comptroller may think fit; does the Act provide, or is it the practice for an investigation to take place periodically?—Periodical investigations are not prescribed by the Act.

901. There is only a power given to investigate at any time the comptroller may think fit?—Just so.

902. There is no periodical investigation takes place as a matter of course?—There is not.

903. Do you happen to know whether these powers have been frequently acted upon?—The last Act was passed in April 1851; I am not aware whether it has been acted upon in respect of such investigations.

904. You do not know what has taken place under it?—I do not, except that the clause as to paying up so large a capital has closed a number of offices.

905. Did you say that a portion of the capital paid up was left in the hands or under the control of the government?—Invested in securities satisfactory to the government.

906. Is there any proportion of that amount of capital continuing at all times to be invested?—I believe it is put in the names of parties resident in the state of New York. The Act of 1849 provides "that the company shall furnish evidence to the satisfaction of the comptroller of the state, that such company has invested in the stocks of this state or the United States an amount equal to the amount of capital or security required by this Act, and such stocks are held in trust by citizens of this state for the benefit and security of such as may effect insurance with him or them."

907. The money which is so paid up is invested in the names of trustees?—Yes.

908. So that the directors have no immediate control over it?—They have no immediate control over it.

909. Are we to understand that you are in favour of the publication of accounts such as you have described, the ordinary account and the investigation account?—Not of the annual balance-sheet; I think that should be recorded for the information of the Government solely.

910. You think the annual balance-sheet should be confined to the knowledge of the Government?—Yes, of the auditor and the Government.

911. But with regard to the periodical investigation balance-sheets?—I propose that they should be accessible in the same manner that the balance-sheets are under the present Act.

912. A difficulty has been started by former witnesses with reference to taking what you term the investigation balance-sheets, viz., that the data on which such balance-sheets should be taken vary so very materially according to the practice of different offices, that it would be very difficult to form any such balance-sheet, on a common principle, as would be satisfactory to the public, or to a public officer; do you conceive that that difficulty would exist?—I have prepared the form of a balance-sheet which I think gets the better of that difficulty. I would not propose to dictate the basis on which any office should make its calculations.

913. Do I understand, then, you would propose to make an investigation balance-sheet, common to all offices, irrespective of their own, or that you would accept a balance-sheet as made by each office on its own principles, with the knowledge and supervision of the public officer to whom you have referred?—I would require them to throw their balance-sheets into a particular form, which form should be embodied in the Act of Parliament, and which should be such a form that there would be no difficulty in any office complying with it.

914. The common form which you would propose would be such as would not throw any material impediment in the way of the different offices, although using different data, in making out a balance-sheet in a satisfactory way?—Quite so.

915. When I use the words different data, I understand the three elements on which

which offices differ in their estimate consists, first, of the mode in which they estimate mortality; second, of the rate of the interest at which they suppose they are going to employ their capital; and thirdly, in the margin, or what I believe you call technically the loading of the arithmetical premium, which they think necessary for safety in the conduct of their business; now in all those three items, there may be, in different offices, different data, on which their calculations are made; do you intend, in the common form to which you have alluded, to adopt the data as used by the different offices, applying them after their accounts are made out to one common form for general information?—Not to adopt the data, but the balance-sheet would be in such a form as to show the result in each office, according to its own way of estimating, valuing, and stating its accounts.

916. And I suppose the Committee may understand that although different offices use different forms, or at least different data, in respect to these three elements, yet that there is a margin even in those differences, within which, although they may disagree in the exact principle, they would still agree that, speaking in general terms, they were safe and fair data to take?—It is a very extensive subject, the subject of valuations, and one as to which there would be a difficulty in giving a very concise answer.

917. I do not wish you to give an opinion as to the different modes by which computations are made; all that I wish is that you should express your view as to whether, for general purposes, it would be safe to take the data which is employed by almost all the respectable offices, however much they may differ in opinion as to the precise form of data which they ought to take, inasmuch as I understand the variation is not so great, but that any one of the practices may be taken as a fair indication of the condition of the office?—Generally speaking, and assuming that your question refers to safety only, I am of opinion that the valuations of the life assurance institutions of this country of any standing are made in such a manner as may be depended upon. I do not think I could go much farther without entering fully on the subject of valuations.

918. Notwithstanding the data may vary?—Notwithstanding the data may vary in these instances.

919. And no flagrant case of insolvency could exist under cover of any merely slight differences which might exist in different offices as to the mode of taking their account?—I think if the balance-sheets were recorded in the form which I propose, it would not be difficult to ascertain whether the office was continuing to proceed on a sound basis or not. No flagrant case of insolvency could occur from what I regard as slight differences.

920. Would there be any practical hardship on any of the offices in adopting the common form which you suggest, although they keep their accounts in such a variety of forms?—I do not think so; I think they could throw them into the form of the balance-sheet that I propose with perfect ease.

921. They might continue to keep their accounts as they do now for their own purposes, but they might throw them into the shape which you propose for all public purposes without much trouble?—Quite so.

922. As well as the annual balance-sheet, have you in your possession what you call an investigation balance-sheet?—I have.

923. It has been stated that great facilities are afforded in making delusive balance-sheets by offices computing the value of their assets at any particular moment on the gross amount of the premiums to be received, that is, adding to the arithmetical rate of risk a margin for expenditure and other purposes in future; I wish to know, is it your opinion or not that that is a sound mode of valuing the condition of the office at any particular moment?—I object very decidedly to the valuation and exhibition in the balance-sheet of the difference between the net and gross premiums; I think the actuary of each office should know precisely what the value of the difference is, but I object to its being shown or introduced in the balance-sheet, as calculated to mislead, and to induce policy holders, directors, and others, to press for its division, or partial division, while it should be reserved entire.

924. If credit is taken on one side of the account for the gross premiums which are payable in a given period of time, ought it not be an item of set-off on the other side, the probable expenditure and contingent risks as ordinarily calculated for in an office as against the loaded part of the premiums on the other side?—Yes; by valuation of the loading the whole available fund for expenses, and the fund from which the greater part of the profit is derived, is valued; and

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it is of course necessary to divide the value of the loading from the value of the net premium, or to place the items on the other side of the account, to show to what extent the future has been anticipated.

925. To do otherwise, if I understand the nature of the account, would be to anticipate the profits of future years at that particular moment, and to take credit for them in the condition of the office at that time?—Yes, of the whole fund for expenses and profit.

926. Of the profits as well as the future expenditure?—Yes; I may be allowed to mention, however, that these remarks apply to offices based on what is generally termed a true or correct table of mortality.

927. When you say a true and correct table, do you mean a table calculated from the most modern data as to the actual risk?—Yes.

928. Is it the case, that other tables, the Northampton table, for example, which is known to be very much above the actual risk, is used to a considerable extent?—It is to a considerable extent.

929. Then where the Northampton table is used, the calculations are made on a basis favourable to the office, with reference to the actual risk involved?—In using the Northampton table of mortality, the net or pure premium is charged higher than under more modern tables at most ages, and in that way the loading does not appear, as in the case of a more modern or correct table, and the profit develops itself by the actual mortality coming out less than the calculated mortality, the loading being as it were reserved at investigations by the assumption of a table or basis showing a greater mortality than will actually obtain; these remarks, however, do not apply to all ages under the Northampton Table.

930. But practically speaking, do not the two systems amount to the same thing?—In the first place, if you use a table which shows the actual rate of mortality, and add to that a per-centage for a margin for expenses and risks, or if you use a table considerably above the ordinary rate of mortality without adding so much, would not the two calculations result in the same thing?—Not exactly; it will depend on the tables used, and the per centage added; but in the case of the Northampton table, if the same rate of interest be used, I am not inclined to think that the difference can materially affect the position of the office, although I prefer dealing with a true table, as an actuary is not safe in dealing with an incorrect table unless he tests his results by a correct table.

931. I think you say you are the manager of the Standard Assurance Office in Scotland?—I am.

932. Is that an office established under the Act?—No.

933. Established before 1844?—Yes, in 1825.

934. As far as you are aware, would your company object to furnish such accounts as you describe?—Not at all.

935. The other company with which you are connected is the Colonial?—Yes.

936. Would that have any objection to furnish such accounts?—None whatever.

937. Have you any objection to state what, in Scotland, is the usual rate of interest at which you compute your risks?—Three per cent.

938. Can you state to the Committee the proportion in which you consider it safe that the assets of the office should be held, so far as regards that portion of the assets easily valued, and immediately available, and the portion which might be invested in any permanent securities, such as mortgages?—The practice in Scotland is quite different from that in England, and the offices there have not attained that age at which it almost becomes necessary to accumulate a fund readily available; so that, as far as Scotland is concerned, I have not had an opportunity of considering the subject, and I have scarcely formed a general opinion upon it.

939. But surely you must, with an office 25 years old, find it necessary to have some proportion of your assets or securities immediately available?—No, we do not; we are as yet accumulating very large sums from year to year out of our ordinary income.

940. Your ordinary income from premiums is more than sufficient to cover the claims that become due?—Very much more; the income is 200,000 *l.* per annum, and we accumulate more than a half.

941. In speaking of the investigation account, have you considered the very

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important feature of the character of the assets in which the accumulated capital of the company is invested?—I have.

942. Are you prepared to recommend any particular mode in which that capital should be stated as to the mode of investment; whether so much in the shape of public securities, so much on mortgages on lands, so much on loan? Are you prepared to recommend any such statement as that?—I have recommended in the investigation balance-sheet that the items of investment should be stated in the manner you speak of, in their general character, such as mortgages, debentures, Government funds, Government annuities; different heads of that kind.

943. Is there any practice in assurance companies of lending much money upon personal security?—It is generally the practice of the younger offices for the promotion of business, but when offices come up to be of some standing, they generally drop the practice, and confine their investments to mortgages and Government securities.

944. In those cases, I suppose, where loans are made on personal security, it is accompanied by an assurance in the office?—Parties are required to effect a policy in the office, in connection with the loan.

945. That is the object to which you referred with the younger offices, as the inducement to make loans of that kind?—It is.

946. For the purpose of encouraging business?—Yes.

947. In any legislative enactment that you would suggest, would you propose to make it necessary that any particular appropriation of the capital should be made, such as any particular portion in Government securities, or any particular portion in mortgages less available?—No, I should not make any such suggestion; I would leave that free for the consideration of the directors of the office.

948. Under the sole control of the directors of the office, if that is made apparent each time, the investigation account is made out?—Yes.

949. Have you seen the last Act that was passed in India, with regard to the management of joint stock companies?—I have, the Act of 1850.

950. Is there anything in the provisions of that Act, which you would think worthy of being imitated?—There is only one point to which I would beg to direct attention, viz., what is called an adjudication of forfeiture. Certain acts are called Acts of Forfeiture, and the penalty is an adjudication of forfeiture, which removes the company, after a certain procedure, into the Insolvent Debtors' Court. The clauses are the 29th, 30th, and 31st: "A registered company which shall commit any act which is hereby deemed an act of forfeiture, shall be liable to the jurisdiction of the Court for the Relief of Insolvent Debtors, and a petition to the said court in the case of such company, shall be prosecuted in the same manner as petitions in the case of insolvent debtors; and in case of an adjudication of forfeiture, the law and practice of the said court, with such alterations of the practice as, from time to time, shall seem to the court necessary, shall be extended to the case of such company, as in the case of an adjudication of insolvency in the case of an insolvent debtor. And adjudication of forfeiture against any such company, shall not be deemed an act of insolvency of the individual members of such company. An adjudication of forfeiture against such company, shall convey to the assignee or assignees appointed the whole of the real and personal property of the said company; and all debts, causes of suit, and possibilities of interest, with the like power to sue either at law or in equity, as fully and effectually as an adjudication of insolvency against any individual could convey the same by any of the laws now in force, or hereafter to be in force affecting insolvents."

951. Is the committee to understand from the general scope of your evidence, that you are in favour of an annual balance-sheet, which should be submitted to a Government authority only, and a particular investigation balance-sheet which should be made out in some common, well-understood form, and which should be open to the public, and that in each case there should be the control of a public officer, who should not interfere in any way with the mode in which the company carry on its business, but simply so far as to test the accuracy of the balance-sheet, as made out on that common principle?—That is the general scope of my evidence; I think the duty of such an officer or auditor should be to watch the proceedings of the assurance companies, in order that he might advise with the

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the Board of Trade, or other public body, if he at any time should consider it necessary as to the position and progress of such institutions.

952. Would you apprehend any inconvenience to the offices themselves, from the existence of such an officer?—It would depend greatly on the judgment of the party to whom the duty was entrusted, as I should consider it necessary that he should be authorised, if an annual or investigation balance-sheet were lodged with him which was unintelligible, to call for persons and documents in explanation of the returns.

953. Would you give him power to investigate the securities or investments?—No; I would throw that upon the directors of the company; I would take the statement of the assets on the affirmation of the actuary and directors, considering that it would be injudicious, and relieving the office from a responsiblity which they should themselves bear, if an inquiry of that searching nature were gone into.

954. Then the accounts which you refer to would be such as would be made out on the assumption that the directors and the actuary were acting fairly, and not contemplating a fraudulent account?—Quite so.

955. You would assume that they would return quite fair accounts?—Yes.

956. And all you would propose to do would be to see that those accounts, so taken on the faith of their being proper accounts, were, on the face of them, such as showed a sound state of the society?—Quite so.

957. Mr. *Muntz.*] Would you propose that the Government officer should have a right to refer to the books?—He should have a right to refer to the general books of the Company, and he should be entitled to look into every everything necessary to enable him to form a just estimate of the state of the society, in fulfilment of his duties.

958. *Chairman.*] That would only be in the case of anything appearing unsatisfactory on the face of the accounts?—Only in the event of the accounts being unintelligible.

959. Mr. *Muntz.*] Supposing there were any disposition on the part of the company to make out a false account, how could a Government officer check the statements without reference to the whole books of the company?—The general books would be quite sufficient for the purpose.

960. Mr. *Geach.*] Supposing the officer wished to investigate the securities, in order to form a just view of the state of the office; would you allow him to do it then?—I think it would be dangerous were he to go that length without reference to the Board of Trade.

961. Mr. *D. Seymour.*] You would leave cases of fraud to be dealt with by the courts of law?—Yes; you would require a separate officer to watch every office in the country, if he were to go so minutely into detail.

962. Mr. *Mullings.*] Supposing in the account there were a statement, "on mortgage, 200,000 *l.*;" would the officer have to take that from the directors as conclusive, without reference to the examination of any securities for the purpose of making out the account?—Yes; I would take the affirmation of the actuary, certified by a committee of the directors appointed under their minutes.

963. Would you make a provision for such a case as this: assuming it came to the knowledge of the officer, or he had reason to suppose that a large portion of the funds was put out on insufficient security, would you allow him to take the return for granted for the purpose of his valuation?—I would give him power to report to the Board of Trade, and I should consider it his duty to report everything that bore on the solvency of the different offices in every way.

964. Mr. *Chambers.*] Has it come to your knowledge at all, in the course of your practice, that losses have occurred from mortgages or other securities having been insufficient?—Not in Scotland.

965. Have you known or heard of such cases in England?—I have heard of losses on mortgages by English offices.

966. Would you allow the officer to inspect the books of a company without an order from the Board of Trade, on his first reporting to the Board of Trade that the returns were in an unsatisfactory state?—I think, if the items in the balance-sheet

balance-sheet were not intelligible, it would not be necessary to trouble the Board of Trade on points of minor importance. If he had serious suspicions of anything being wrong, he should go to the Board of Trade at once, and carry their authority along with him.

967. Mr. *Mullings.*] Is it the practice of auditors, when they audit an account, to examine the securities?—Yes, so far as to satisfy themselves that the deeds exhibit that the investment has actually been made.

968. *Chairman.*] Will you proceed with your suggestions?—The next head to which I would refer is, the appointment of a professional auditor to examine the ordinary accounts annually, and to report to general meetings of the shareholders; such reports to be put on record along with the annual balance-sheets.

969. You would recommend that such an auditor should be appointed for every office?—I would.

970. Would he be appointed by the directors?—Yes; and the appointment should be confirmed by a general meeting.

971. Should he be periodically appointed?—No, I do not think that necessary, although under the Joint Stock Company's Act it is required.

972. You would make him report on the accounts to the general meetings, and make him responsible for the correctness of those accounts?—I would; he would be a paid auditor, who would undertake the duty professionally.

973. You would consider it his duty to investigate pretty closely the value of the assets and liabilities, so as to be able, not only to speak to the arithmetical accuracy of the account, but also generally to the condition of the society being as it appears upon the face of the account?—As far as the cash transactions of the company is concerned, but not with regard to the valuation or actuarial department of the business. I may here be allowed to explain, that all Scotch offices have a professional auditor who acts in this manner. He is generally, I may say invariably, an accountant; and I may further explain, that the body of accountants in Scotland hold a different position from the same body in England, their professional duties being more extensive and more responsible. They occupy the position of assignees in bankruptcy; to their charge is committed the management of trust estates of very large amount; from that body are generally chosen the tutors and curators appointed by the Court of Session to take charge of the affairs of minors, or persons incapable of acting for themselves; and, generally speaking, they hold a position which entitles them to the full confidence of those interested in life assurance companies, that an audit on their parts will be conducted in the most satisfactory and searching manner.

974. They are intrusted with a great deal of business under the Scottish courts?—They are.

975. They are employed professionally by the judges, in a great many processes under the Scotch law?—If a point of accounting arises in a process, a remit is made to an accountant to report.

976. They are almost in the same position as the Masters in Chancery in England?—Yes; I should have instanced that.

977. In fact they are highly responsible public officers?—They are highly responsible professional men.

978. We have no body of professional men in this country that you are aware of which corresponds with that body in Scotland?—No, you have not.

979. They perform the duties of accountants with the duties of Masters in Chancery?—Quite so.

980. Mr. *Cowan.*] Are they not members of the Institute of Actuaries, a good many of them?—Yes, a good many of them; and I may mention from the body of accountants a great number of the assurance managers in Scotland have from time to time been chosen.

981. Being officers of the courts, and under the control of the courts, would they not be amenable to punishment by the courts if any case was brought forward of malversation on their part in performing the duties of their office?—They are not officers of the courts; they are merely professional men; they are not even incorporated in any way; they have taken up the position I have mentioned chiefly

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by the tone given to the profession by two or three men of high character and standing with whom the profession originated. Although they are not incorporated in any way they hold the position I have referred to.

982. *Chairman.*] Still it would be in the option of any Lord of Session to employ, or not to employ, or to remit, or not to remit, certain questions to an accountant whose character had been in some degree damaged, by having made an inaccurate statement to a body of proprietors with reference to an assurance company?—Quite so.

983. The reputation of such a person would suffer in consequence?—Certainly. I may further explain, that the Court of Session has lately appointed an accountant, who is called the Accountant of the Court of Session. I may also add, that within the last few weeks the accountants of Edinburgh have met together, and formed themselves into an institute, which is called the Institute of Accountants, but they possess no charter or other bond of incorporation in any form; I believe it is their intention in some degree to follow it up by application for a charter, or something of the kind.

984. Then you would propose that the officer you have just referred to, the auditor, should make a report annually to the shareholders, and that he should also be responsible for the accuracy of the annual account, as furnished to the public officer to whom you have referred?—That he should sign it, and verify it; I do not know to what extent he could be made responsible beyond mere professional responsibility.

985. How does that mode differ from that which is now adopted at the assurance offices where they have their auditors, who do sign their accounts, and testify to the correctness of them?—I am not very fully acquainted with the practice in England, but I am inclined to think that in many instances auditors are appointed who are not professionally acquainted with accounts, so as to enable them thoroughly to investigate them. The auditor in Scotland examines every voucher, and investigates every account by a detailed process, to satisfy himself that every premium and every payment to the office, which ought to have been received during the year, stands at the credit side of the proper account in the ledger.

986. Mr. *Mullings.*] Do not the auditors in the assurance offices here do the same thing?—I believe they do not make so detailed an investigation in every instance as that I have referred to; I know in some instances it is not so carefully done.

987. *Chairman.*] Have you any other general observations to make with reference to the mode in which you would suggest any improvement in the present mode of conducting assurance offices?—There is one remark I would wish to make, which is with reference to borrowing money by Life Assurance Companies. I do not think it would be proper to debar companies altogether from borrowing money on any occasion, from their bankers for instance, but I think an amount should be fixed below which they should not be allowed to take up money on loan or deposit.

988. You think a minimum should be fixed?—I think there should be a minimum. I refer to the practice I have observed of offices undertaking to receive deposits in sums of less than 1 *l.* even as low as 5 *s.*, which I conceive to be a very dangerous practice, particularly in life assurance agencies throughout the country.

989. Will you hand in the forms of balance-sheets which you would require to be made by assurance offices?—Yes; the first is a proposed form of annual balance-sheet, which I think should not be made public; it should only be deposited annually with the Government officer I suggest should be appointed.

[*The Witness delivered in the same, as follows:*]

No. I.

PROPOSED FORM OF ORDINARY BALANCE SHEET.

	Values.	Receipts.					
	Investigation in 18 .	18 .	18 .	18 .	18 .	18 .	Total.
To Proprietors' Account: Amount of call on Stock at per share - - - £.	The Amount in this Column will remain the same from period to period of Investigation. Till first Investigation it will not be filled up.						
To Proprietors' Bonus Account: For additions to Stock at the following periods: 18 18							
To Premium Account with Profits: Whole Term—Single Lives:— (Amount received without Deductions.) Annual Payments - - - Single Payments - - -							
To Premium Account without Profits: Whole Term—Single Lives:— (Amount received without Deductions.) Annual Payments - - - Single Payment - - -							
To Premium Account; Short Periods - - - - - (Amount received without Deductions.)							
To Premium Account; Joint Lives without Profits - - - (Amount received without Deductions.)							
To Premium Account; Survivorships without Profits - - (Amount received without Deductions.)							
To Annuities: Amount received for Annuities sold - - - - -							
To Deferred Annuities: Amount received - - -							
To Endowments: Amount received - - -							
To Policies; Bonus Account: Single Lives for declared Additions - - - - - Joint Lives - - ditto -							
To Interest Account: For Interest on the Company's Investments - - -							
£.							

	Values.	Expenditure.					
	Investigation in 18 .	18 .	18 .	18 .	18 .	18 .	Total.
By Expenses: Ordinary Expenses - - £. Commission - - - -	The Amounts in this Column will remain the same from period to period of Investigation. Till first Investigation it will not be filled up.						
By Dividend Account: For Dividend at the rate of on £. - - - -							
By Claims Admitted: 1. Policies with Profits - - Whole Term - - - 2. Policies without Profits - - Whole Term - - - Short Periods - - - Joint Lives - - - Survivorships - - -							
By Policies, Bonus Account: Bonus in Connection with Claims Admitted - - - - Deduction allowed from Premiums originally stipulated in Policies - - - - Paid for Surrender of Bonus -							
By Surrender Values: Amount allowed for Surrender of Policies - - - -							
By Annuities: Amount Paid - - - -							
By Endowments: Amount Paid - - - -							
By Re-Assurance: Amount Paid (Accounts as per contra) - - - -							
By Investments and other Funds: * 1. Mortgage of Landed Estate - £. 2. Government Securities - - 3. Annuities, present Value - - 4. Reversions, present Value - - 5. Debentures - - 6. Personal Security - 7. Arrears of Premiums, &c. - 8. Agents' Balances - 9. Sum in Bank - 10. Miscellaneous Balances - -							
£.							
Deduct Claims and Bonus Additions admitted, but not Paid - - -							
£.							

* The Investments and other Funds should be given in full each year, but would only be carried to the Total Column.

Note.—Various other Accounts might be added, and the Branches of Assurances might be divided, but as the foregoing is merely suggestive, it is sufficiently full.

I think it very desirable, for the sake of easy reference on the part of the Government Auditor, as well as to inculcate a wholesome practice on the offices themselves, that instead of adding together the transactions of various years, and leaving the total only columns should be introduced for the separation of the same balances, from the commencement of the Company till the first Investigation, and thereafter from one Investigation to another as usual. The annual transactions would thus be seen at one view, separately as well as conjointly.

Witness.] I also hand in a proposed form of investigation balance-sheet, to be recorded in like manner with the public officer; and I propose that this should be accessible to the public.

[*The Witness delivered in the same, as follows:*]

No. II.

PROPOSED FORM OF INVESTIGATION BALANCE-SHEET.

LIABILITIES.		ASSETS.	
To Proprietors' Account:		By Investments:	
Amount of call on stock at £ per share - - - - - - £.		1. Mortgage of Landed Estate - - -	
To Proprietors' Bonus Account:		2. Government Securities - - - -	
Additions to stock at former periods of division of profits - - -		3. Annuities Purchased—Present Value -	
To Premium Account with Profits—Whole Term—Single Lives:	£.	4. Reversions Purchased—Present Value -	
Value of L capital sum assured, calculated by Tables at per cent. interest - - - - £.		5. Debentures - - - - - - - -	
Deduct value of L Annual Premiums, calculated by Tables at per cent. interest - - -		6. Personal Security - - - - - -	
Annual Premiums receivable on Policies, £.		7. Arrears of Interest, Premiums, &c. - -	
Annual Premiums valued above - - -		8. Agents' Balances - - - - - -	
Amount not valued (sum not to be extended) - - - £.		9. Sum in Bank - - - - - - -	
£.		10. Miscellaneous Balances - - - -	
Add proportion of current Premiums - - -		By Re-Assurances:	
To Premium Account without Profits—Whole Term—Single Lives:		Value of cross Assurances effected with other Offices, valued in the same manner as the Company's own Policies, in the particular Class under which the Re-Assurances stand affected.	
Value of L capital sum assured, calculated by Tables at per cent. interest - - - - £.		Premium Account—With Profits—Whole Term—Single Lives - - - - -	
Deduct value of L Annual Premiums, calculated by Tables at per cent. interest - - -		Premium Account—Without Profits—Whole Term—Single Lives - - - - -	
Annual Premiums receivable on Policies, £.		Premium Account—Short Periods - - -	
Annual Premiums valued above - - -		Premium Account—Joint Lives—Without Profits - - - - - - - -	
Amount not valued (sum not to be extended) - - - £.		Premium Account—Survivorship—Without Profits - - - - - - - -	
£.			
Add proportion of current Premiums - - -			
To Premium Account—Short Periods:			
Proportion of current Premium on Policies - - -			
To Premium Account—Joint Lives without Profits:			
Value of L capital sum assured, calculated by Tables at per cent. interest - - - - £.			
Deduct value of L Annual Premiums, calculated by Tables at per cent. interest - - -			
Annual Premiums receivable on Policies, £.			
Annual Premiums valued above - - -			
Amount not valued (sum not to be extended) - - - £.			
£.			
Add proportion of current Premiums - - -			
To Premium Account—Survivorships without Profits:			
Value of L capital sum assured, calculated by Tables at per cent. interest - - - - £.			
Deduct value of L Annual Premiums, calculated by Tables at per cent. interest - -			
Annual Premiums receivable on Policies £.			
Annual Premiums valued above - - -			
Amount not valued (sum not to be extended) - - - £.			
£.			
Add proportion of current Premiums - - -			
To Annuities:			
Value of L per annum, amount payable by Office, calculated by Tables at per cent. interest Male Lives - - - - - - £. Female Lives - - - - -			
To Deferred Annuities:			
Value of L per annum, amount payable by Office, calculated by Tables at per cent. interest - £.			
Deduct value of L Annual Premiums, calculated by Tables at per cent. interest, less proportion of current Premiums - - - - -			
To Endowments:			
Value of L per annum, amount payable by Office, calculated by Tables at per cent. interest - £.			
Deduct value of L Annual Premiums, calculated by Tables at per cent. interest, less proportion of current Premiums - - - - -			
To Policies Bonus Account:			
Value of L additions made to Policies at the Investigations of 18 , 18 , and 18 , calculated by Tables at per cent. interest - - - - - - - - - - -			
To Claims Outstanding:			
Sums Assured - - - - - - - £.			
Bonus Additions thereto - - - - -			
TO PROFITS DIVISIBLE - - - - - - - -			
£.		£.	

Affirmations should be attached to both Balance-Sheets, to be made by the Actuary or Manager, under the Act 6 Gul. IV., and, in addition, the usual Certificate by the Auditors and three Directors should be required.

Note.—Various other Accounts might be added, and the Branches of Assurance be divided, but as the form is merely suggestive it is sufficiently full.

990. Mr. *Chambers.*] I think you mentioned that an Act of Parliament was passed in America in 1851; do you know what the state of the law, with regard to assurance societies, was in America before that Act passed?—There was a previous Act in 1849.

991. Was the Act of 1851 an amendment of that of 1849?—Yes; the last section of the Act of 1851 repeals "so much of the Act passed in 1849 in relation to the incorporation of insurance companies as is inconsistent with the provisions of this Act;" I have only an extract from the Act of 1849.

992. Do do you know whether the second Act was in consequence of any investigation into the subject on the part of the House of Assembly at Washington?—I am not aware of any particular investigation; I believe it arose from a suspicion of unsoundness in the mode of conducting the business of life assurance in the United States.

993. To meet some supposed evil?—Yes.

994. You do not know whether any evils were proved to exist, or whether they were only apprehended?—I think they were proved to exist.

995. Are you of opinion that any Legislative interference at all should take place with regard to existing assurance societies?—I propose that assurance societies should come under the regulations, I have already explained, as to their recording their balance-sheets, and so on.

996. But are you of opinion that anything should be done in the way of legislation with reference to these companies?—I have already stated, in a previous part of my evidence, that I thought a separate Act should be applied for, and I suggested some leading regulations.

997. You have spoken of investigation balance-sheets, and you have handed in a form; I assume in that form you get over all the technical difficulties connected with drawing up such a document?—I have endeavoured to put it in such a shape.

998. But when it is filled up and returned, are you of opinion that it will be of the slightest service to the public by conveying an accurate notion of the solvency of the society?—I do not think the public, generally speaking, can of themselves understand the balance-sheet of an assurance company; but I think an investigation balance-sheet in this form will be in such a state that those connected with the profession will be able to form a very decided opinion upon the subject.

999. Do you think they will be able to form a correct opinion as well as a decided one?—I should say if it is decided it must be correct, so far as depends on the individual's judgment.

1000. With reference to mutual assurance societies, do you think that a deposited capital would be necessary?—Yes; I stated so in the early part of my evidence.

1001. You think it desirable?—I think it desirable that before starting they should deposit 10,000*l.* with the Government, and that there should be 200 promoters.

1002. Have you made up your mind who should be the parties who should be called upon to pay that sum?—The promoters should pay it.

1003. Do you mean the directors?—I would not interfere with the mode in which it is procured. If 200 persons agree to start a mutual office, which shall be for their mutual benefit, they should find the funds for that purpose.

1004. Should that deposit be repaid at any period?—It is a difficult point; it might be worthy of consideration whether it might not be repaid in whole or in part after the first investigation of their affairs, supposing the result to be satisfactory; but upon the whole I am inclined to think that it should remain, like the 10,000*l.* deposited by proprietary companies, in the hands of the Government.

1005. What would be done with it eventually?—It would be invested in the names of trustees, and would be repaid when the society was brought to a close, or was wound up, after satisfying its obligations.

1006. You think it inexpedient for persons to agree together to assure each others' lives, except under a condition of that kind?—I do.

1007. Mr. *Muntz.*] Would the interest be paid to the parties depositing the money, or would it accumulate?—It would be paid periodically.

1008. *Chairman.*] The interest would be paid to the parties who subscribed the capital?—Yes.

1009. Mr. *Muntz.*] You would recommend so much money to be deposited;

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would that be because you think the tables on which the premiums are founded are not correct?—An assurance society may adopt any tables they please.

1010. Generally speaking, do they adopt correct tables?—Yes; I think almost all assurance societies adopt safe tables of rates, but I should not like to give any opinion as to their continuing to do so.

1011. Mr. *Chambers.*] Are you of opinion that the Legislature should interfere to regulate the rates of premium?—No; certainly not, except to such extent as the proposed officer might think it necessary to interfere.

1012. Are you aware of any evils which have occurred from the present state of things?—It is more in the future than in the past that the evil lies. I think there is abundant evidence to show an inclination to go wrong. In an assurance company it may take a long time before evils become apparent.

1013. Mr. *Muntz.*] Has the case of any assurance company come to your knowledge where improper tables have been used?—Some tables have been used which I would not like to certify.

1014. Mr. *Chambers.*] As to what is a proper rate of premium is quite a matter of opinion among scientific men, upon which they differ?—It is so far a matter of opinion, although sound actuaries I conceive, in the present day, are very much agreed as to what are proper rates.

1015. Mr. *Mullings.*] Might it not happen if there were to be an office founded not *bonâ fide*, they might accept lower premiums, as we have heard of before, for the purpose of acquiring funds, and after getting those funds, might they not come to what is called a smash?—That is quite possible.

1016. Is that what you would guard against?—Yes, as one point *inter alia.*

1017. Did you ever hear of such a case happening as an assurance office setting up business with rates of premium too low, and then coming to a smash?—No; as yet there has been no time, I think, for a smash to take place with recent companies.

1018. Mr. *D. Seymour.*] When you spoke of the United States as to that law requiring a deposit, is that applicable to the whole of the States?—No, only the State of New York; some of the other States have, I believe passed similar laws, or attempted to pass them. I may state with reference to our own colonies, that there is a Bill before the Legislature of New Brunswick, by which they are endeavouring to have a somewhat similar law, not as to a deposit, but as to publication of accounts; they have no native offices of their own, but they dread so much the agencies of offices, some from this country, and some from the United States, that they have brought in this Bill with a view to protection.

1019. In the Standard Office, of which you have stated that you are the manager, can you state in what year after the establishment of the office, the receipts from premiums first began to cover the liabilities?—From the very first; the expenses of Scottish offices have been generally very small at first.

1020. I thought you said that you did not think the accounts of young offices should be shown or investigated until after a certain number of years, inasmuch as at first the expenses appear to bear an undue proportion to the receipts?—The proportion varies in different companies, sometimes even exceeding the receipts by a considerable sum.

1021. In the case of your office, if the premiums covered your liabilities from the very first year of your establishment, why should not the accounts be made public from the first year in every other office?—The general practice of the present day is not for the expenses of young offices to bear so small a proportion to the receipts.

1022. I thought you gave an opinion as to what ought to be the practice in future?—Not with regard to the proportion of expenses to receipts.

1023. Mr. *Muntz.*] If your office covered its expenses the first year, and was still better the second year, I want to know, if you believe it possible for assurance companies to cover their expenses from their first formation, why should you require a deposit of capital?—It is not the case generally that the expenses of the early years are so small as to be so much within the receipts.

1024. It was the case in your office?—Yes; that office was commenced on a small scale, and the expenses were made to bear a proportion to the business.

1025. *Chairman.*] Is it the case now that the expenses of offices, at their first formation, are larger then they were?—Yes, speaking with regard to the offices in Scotland; I do not know what were the expenses of offices in England, about the period I am referring to, viz. 1825, but I am convinced the expenses of the present day

day, from what I learn, are very much larger, more especially with reference to the amount of capital employed.

1026. Mr. *Mullings.*] Competition is greater now, and it requires a greater amount of expense and of effort to get business?—Yes; I believe, in London, it requires more expense to get up an assurance company than it does in the provinces, so long as they have no London branch; the expenses of the direction and of the office generally are greater.

1027. Is not advertising a very large item in the expenses of assurance companies?—Very large indeed.

1028. Also the expense of local agencies?—No; loca lagencies are generally paid by commission.

1029. Is it not the practice with new offices, to employ local agents with fixed salaries, for the purpose, in the first place, of forcing business?—I have heard so; I have read it in printed publications.

1030. You say your attention has been called to the registered accounts which have been published; has there been anything which occurred to you as remarkable in the proportion of the expenditure to the income?—Yes; I think the expenditure has been excessive, arising from competition and anxiety to get into business.

1031. Would there be anything on the face of those accounts which would make you feel in the slightest degree uneasy in looking at them as a whole, with reference to those particular items?—I have always objected to the lumping of these accounts and drawing deductions from them in that shape; I think there are a great many among the young offices that may become very sound institutions, while there are others which I consider it would be better to wind up.

1032. Mr. *Muntz.*] Why do you suppose there is more expense in the direction of a company being formed in London than in Scotland?—The directors' fees are generally larger in London, for one item.

1033. That is a matter of arrangement?—Such is the practice.

1034. What are the fees in Scotland?—Half a guinea, and probably less at the commencement, for each attendance; I know it has been less, but I state that as the probable amount at the present day; that is a larger fee than was given when the Standard office was started.

1035. Mr. *Chambers.*] You said you thought with regard to some offices, it would be better that they should be wound up; do you give that opinion on the ground of any investigation you have made in any particular case?—I have formed my opinion from my examination of the public balance-sheets.

1036. You judge so from your examination of the public balance-sheets?—Yes.

1037. You consider that without any further inquiry you are competent, from merely examining those balance-sheets, to give a judgment with reference to those offices?—I do.

1038. Would you be able to pledge your professional reputation, that those offices, with reference to their finances, are in any other than a sound state?—I have stated my evidence with due regard to my reputation as a professional actuary.

1039. We have had so many answers given by different persons with reference to the soundness of these institutions, that I have attempted to test every witness, by asking him to give me something like a reason for his opinion, and I have not been altogether successful?—I have already stated the grounds of my opinion.

1040. If you had any particular apprehension with regard to any of the offices returning those accounts, should you think yourself justified in alluding to them by name before a Committee of this House?—No; I should not think I was.

1041. *Chairman.*] Have you not been credibly informed that there are offices at the present moment in existence, who, if they had been able to dispose of their business to others, would have wound their affairs up, and who have not done so only because other offices have refused to accept the offer?—I have heard so.

1042. Mr. *Geach.*] Are there not many offices with respect to which, if you had a friend who applied to you for advice as to whether he could safely insure in such offices, you would recommend him to avoid them?—There are many.

1043. I mean apart altogether from your interest as connected with a particular office?—Certainly; there are offices I would decline in any way to recommend, and whose policies I would decline to accept as securities if offered to me.

1044. The accounts to which you have referred, are those of institutions founded since 1844?—Yes.

1045. You do not go beyond that period?—No; I have no data.

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1046. Your answer applies to offices founded since 1844?—Yes.

1047. Mr. *Muntz.*] Are those Scotch or English offices?—I believe there is only one Scotch office which comes under the Act of 1844; some companies established in Scotland under the Act have ceased to exist.

1048. *Chairman.*] Under what circumstances did they cease to exist?—They gave up their business to other offices; they were founded at a time when a good many joint stock companies were founded.

1049. Mr. *Mullings.*] With respect to the practice of one company handing over its business to another, is it within your knowledge that frequently considerable balances have been paid for losses which have been sustained, and other deficiencies have been made up?—I am aware of instances where losses have been made up out of the capital of the company.

1050. In order to induce another company to take the business?—Yes.

1051. Do you know from what cause those losses arise; whether in consequence of the profits of the business no tbeing sufficient to recoup the losses?—Chiefly from exorbitant expenses and insufficient business.

1052. *Chairman.*] Is not that one reason why you would insist upon a capital in every case?—I think it tends to that view.

1053. Mr. *Chambers.*] How many instances have you known of companies handing over their business, and having to pay a balance of losses out of their capital?—I personally know of four.

1054. So that the policy holders sustained no loss in those cases?—They sustained no loss in those cases except the loss of the profit which they might have received if they had joined a better institution.

1055. *Chairman.*] How would it have been in the case of mutual societies?—They would have had to dissolve, and make a division of the fund.

1056. They would have sustained a loss, provided there was no fund from which they could have taken it?—Yes.

1057. In proprietary bodies, if I understand, the proprietors are to a certain extent traders in life assurance, who reckon on a profit on account of the risk of the business?—Yes.

1058. In mutual offices do not the contributors raise a common fund, in which they are mutually interested with reference to profits?—That is so; but with reference to the comparison drawn with proprietary companies, it is proper at the same time to state that they have now so modified their constitutions as to hold out inducements which in my opinion are equal to those afforded in mutual offices.

1059. *Chairman.*] But so far as regards an individual member of the community seeking to assure his life in one or other of the proprietary offices, in the event of such office handing over its business, and paying a balance to the new office, the person assuring his life suffers nothing?—Nothing, except that he does not gain the benefit he might have had from having joined a better institution; he has been paying a higher premium for the purpose of profit, and he does not get it.

1060. Supposing it was a strictly proprietary office, and that he was not entitled to a share of the profit at all?—Then there would be no loss.

1061. But in the case of a person making an assurance in a mutual office without any capital having been provided to meet a loss of that kind, he would lose a certain proportion of the sum he had assured *pro rata* with the company?—Yes.

1062. That would be a substantial difference between the two companies, supposing there was no capital provided in the case of a mutual office?—Yes.

1063. Mr. *Chambers.*] Are you of opinion that a man should not be allowed to run that risk if he likes, but that he should be restrained by legislative enactment from doing so?—It is somewhat a difficult question, and I have given it consideration. I was for some time of opinion that the Government should allow parties who set up mutual offices to run their own risks without any restraint, seeing that they have the power of conducting their office themselves; but practically such is not the effect, as persons, especially at a distance, very often join these institutions without knowing much or anything of their constitution and management.

1064. Practically the public do not know the risk they are running?—No, they know very little about it.

1065. *Chairman.*] Either theoretically, or by experience?—Just so.

1066. Mr. *Cowan.*] You referred, some time ago, to an office which had been lately established, viz. the accountant of the Court of Session; I believe that office was in connexion with an Act which lately passed for the protection of pupils and

and minors?—It is; it is part of his duties to look into accounts in connexion with the estates of pupils and minors.

1067. Whose pecuniary interests were under the management of various trustees throughout the country?—Yes.

1068. Does it consist with your knowledge that the appointment of that officer has been very beneficial, in so far that parties who have failed to give in any account for a number of years, or whose accounts were otherwise unsatisfactory, have been brought to book, so to speak?—I believe it has been of the very greatest benefit, the appointment of the accountant of the Court of Session.

1069. And that various parties have been cited before the bar of the Court of Session by him for having failed in their duties?—Yes, they have been made to account for the estates of pupils and minors which were intrusted to them.

1070. You told the Committee that the valuations of your office, and of several other Scottish offices, were based on your improving your capital at the rate of three per cent?—Yes.

1071. May I ask whether, in effect, your own funds have been improved at a higher rate than three per cent.?—They have.

1072. Is that the case with insurance companies in Scotland generally?—It is the case.

1073. Is it the fact that the assurance companies, in a great measure, having a large amount of funds in their hands, fix, half-yearly, the rate of interest which shall be paid upon heritable securities?—In Scotland the rate of interest on heritable securities is fixed periodically, viz., every six months, or three months by the trustees of the fund established for a provision for the widows of ministers of the Church of Scotland, and the trustees of the Writers to the Signet Widows' Fund, and other parties who are largely interested in pecuniary transactions.

1074. Are you able to put in before the Committee, a statement of the rates of interest which have been fixed in conformity with these regulations for some years past?—I have statements of the rates of interest received by the trustees of the Fund for a Provision for the Widows and Children of the Ministers of the Church and Heads of the Universities of Scotland since 1784, and of the interest on loans made by the Writers to the Signet Widows' Fund since 1822.

[*The same was handed in, as follows:*]

RATES of INTEREST on Landed Security received by the Trustees of the Fund for a Provision for the Widows and Children of the Ministers of the Church, and of the Heads, Principals, and Masters of the Universities of *Scotland*.

The rate of interest from		Whitsunday 1784 to Whitsunday 1816, was	4½	per cent.
,,	,,	Whitsunday 1816 to Whitsunday 1823 -	5	,,
,,	,,	Whitsunday 1823 to Whitsunday 1824 -	4½	,,
,,	,,	Whitsunday 1824 to Whitsunday 1826 -	4	,,
,,	,,	Whitsunday 1826 to Lammas 1828 - -	5	,,
,,	,,	Lammas 1828 to Lammas 1829 - -	4½	,,
,,	,,	Lammas 1829 to Martinmas 1830 - -	4	,,
,,	,,	Martinmas 1830 to Lammas 1831 - -	3½	,,
,,	,,	Lammas 1831 to Whitsunday 1834 - -	4	,,
,,	,,	Whitsunday 1834 to Whitsunday 1837 -	3½	,,
,,	,,	Whitsunday 1837 to Martinmas 1838 -	4	,,
,,	,,	Martinmas 1838 to Martinmas 1839 -	3½	,,
,,	,,	Martinmas 1839 to Whitsunday 1843 -	4	,,
,,	,,	Whitsunday 1843 to Whitsunday 1846 -	3½	,,
,,	,,	Whitsunday 1846 to Martinmas 1847 -	4	,,
,,	,,	Martinmas 1847 to Whitsunday 1849 -	5	,,
,,	,,	Whitsunday 1849 to Martinmas 1849 -	4½	,,
,,	,,	Martinmas 1849 to Whitsunday 1850 -	4	,,
,,	,,	Whitsunday 1850 to Whitsunday 1853 -	3½	,,

RATES of INTEREST on the Loans on Landed Security, made by the Trustees of "The Writers to the Signet Widows' Fund."

To Martinmas 1822 the rate was - - - - -	5	per cent.
From Martinmas 1822 to Whitsunday 1824 - - -	4½	,,
From Whitsunday 1824 to Whitsunday 1826 - -	4	,,
From Whitsunday 1826 to Whitsunday 1828 - -	5	,,
From Whitsunday 1828 to Whitsunday 1829 - -	4½	,,
From Whitsunday 1829 to Martinmas 1830 - - -	4	,,
From Martinmas 1830 to Lammas 1831 - - - -	3	,,
From Lammas 1831 to Whitsunday 1834 - - -	4	,,

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From Whitsunday 1834 to Whitsunday 1837	-	-	3½ per cent.
From Whitsunday 1837 to Martinmas 1838	-	-	4 „
From Martinmas 1838 to Martinmas 1839	-	-	3½ „
From Martinmas 1839 to Martinmas 1843	-	-	4 „
From Martinmas 1843 to Whitsunday 1846	-	-	3½ „
From Whitsunday 1846 to Martinmas 1847	-	-	4 „
From Martinmas 1847 to Whitsunday 1849	-	-	5 „
From Whitsunday 1849 to Martinmas 1849	-	-	4½ „
From Martinmas 1849 to Whitsunday 1850	-	-	4 „
From Whitsunday 1850 to Whitsunday 1853	-	-	3½ „

1075. *Chairman.*] What has been the average rate of interest on heritable securities in Scotland, since the peace?—The average rate for 37 years, since 1816, has been about 4 *l.* 4 *s.* per cent.; and the average rate for 19 years, since 1834, has been about 3 *l.* 16 *s.* per cent.

1076. Mr. *Cowan.*] Will you tell us what the highest and lowest rate of interest has been during that period?—The highest rate has been five per cent., and the lowest, 3½ per cent.

1077. It is 3½ at this moment?—It is 3½ per cent. at this moment, and has been so since Whitsunday 1850.

1078. Is it your opinion that it will go down to 3 per cent.?—It was proposed in August last to reduce it to 3 per cent. from Martinmas, and again in February last to 3 per cent. from Whitsunday, but it was decided that it should remain at 3½.

1079. In the event of its going down to 3 per cent., do you conceive that it will be necessary for assurance companies such as yours, to revise their tables?—We have many other modes of investment to enable us to keep up our rate of interest to one or at least a half per-centage above the rate of heritable securities.

1080. On the average, then, it would be more than 3 per cent. in that case?—It would be 3½ to 4 per cent.

1081. Some of the Scotch offices, whose calculations are based upon the principle of their being enabled to improve their capital at 4 per cent.; do you imagine that such offices may not be under the necessity of revising their rates of contribution?—I think they ought to revise them.

1082. Supposing the interest to fall one-half per cent. lower than it is at present; is there not a danger to the security of these societies?—Some of these offices have very high rates of premium, which is, to a certain extent, a safeguard; some of them also have made large reserves in the course of their business; but I think it would be a prudent step if they reconsidered the basis on which they are established, with reference to interest.

1083. That would involve an alteration in the contributions?—Yes; it would involve an alteration in the whole basis of the business, which is a very difficult thing to accomplish.

1084. *Chairman.*] Is there any other suggestion you wish to make?—There is a point with reference to the difference between ordinary and investigation balance-sheets, which I would wish to explain more clearly. Unless an annual valuation of the affairs of an assurance office be made, which is not common, its balance-sheet will not show the exact state of its affairs. A proper balance-sheet, where no annual valuation is made, should not show the transactions of the past year only, but should include the result of the cash operations for each year since the commencement of the business, or since last investigation of the company's affairs, when the ledger balances were adjusted; and in this latter case, of course, the balance-sheet will consist partly of the values brought forward at the investigation, and partly of the cash transactions since. It has been asserted that the statements put on record, under the present Joint Stock Companies' Act, are not balance-sheets, but statements of receipts and disbursements only; but unless an annual valuation, as already stated, be made from the first, and effect be given to the same in the books, these statements can only show receipts and payments; such a balance-sheet in these circumstances is, therefore, the only exponent the office has to exhibit of the progress of its affairs. Furthermore, I am confident that the framers of the Joint Stock Companies' Act did not contemplate forcing annual valuations on assurance societies. The only period then at which the balance-sheet of an assurance office can exhibit an accurate state of its affairs, is at the date of investigation, after effect has been given to the valuations. If the investigations are annual, the balance-sheet should always exhibit correctly the state of its affairs; but if they

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are not annual it cannot do so, for the yearly transactions are then merely added under the proper heads to the valuation brought forward at the investigation previous, and the balance-sheets are framed accordingly, till the next period of valuation comes round.

I.—ORDINARY BALANCE-SHEET of an ASSURANCE COMPANY, which has not passed an Investigation, say at the end of Five Years from the commencement of the Business.

		£.			£.
To Proprietors' Account:			By Charges:		
Amount of calls		20,000	For five years		13,000
To Premium Account:			By Claims:		
Whole Term.			Amount paid		9,500
Amount Received.			By Annuities:		
Annual payment	44,000		Amount Paid		750
Single payment	1,000				
		45,000	By Re-Assurance Premiums:		
To Premium Account:			Whole Term.		
Short Periods.			Paid to other offices for cross Assurances		2,500
Amount received		1,000			
To Premium Account:			By Dividends:		
Joint Lives.			Amount paid		1,250
Amount received		500			
To Annuities Sold:			By Investments:		
Price received		4,000	Loans	£. 26,000	
			Government Securities	14,000	
To Interest Account:			Banks	5,000	
Interest on investments		3,500	Agents' Balances	1,000	
			Sundry Balances	1,000	
					47,000
	£.	74,000		£.	74,000

This balance-sheet is supposed to show the results of the cash transactions of an office for five years; and it will give to those who are accustomed to look at such balance-sheets a general idea of its progress. We now come to a valuation; and let us suppose that the company whose balance-sheet is given above, have investigated their affairs, and wish to re-adjust their ledger balance-sheet. They will write off all the accounts closed by the valuation, and the differences of value on all the accounts connected with outstanding risks, to an investigation account; or otherwise they will carry all the old balances to investigation account, and bring the new values out of it.

II.—INVESTIGATION BALANCE SHEET.

	Balance before Investigation.	Written off at Investigation.	Balance after Investigation.		Balance before Investigation.	Written off at Investigation.	Balance after Investigation.
	£.	£.	£.		£.	£.	£.
To Proprietors' Account	20,000	- -	20,000	By Charges - -	13,000	13,000	—
To Premium Account:				By Claims - -	9,500	9,500	—
Whole Term -	45,000	24,000	21,000	By Annuities - -	750	750	—
To Premium Account:				By Re-Assurance Premiums —Whole			
Short Periods -	1,000	900	100	Term - -	2,500	1,300	1,200
To Premium Account:							
Joint Lives - -	500	300	200	By Dividends - -	1,250	1,250	—
To Annuities Sold -	4,000	500	3,500	By Investments -	47,000	- -	47,000
To Interest Account -	3,500	3,500	—		£.	25,800	—
NEW ACCOUNTS:				Profits carried to New Accounts, per contra	- -	3,400	—
To Proprietors' Bonus -	- -	- -	1,000				
To Policy Bonus -	- -	- -	2,400				
TOTAL - - - £.	74,000	29,200	48,200	£.	74,000	29,200	48,200

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The new balance-sheet thus becomes:—

	£.		£.
To Proprietors' Account - -	20,000	By Charges - - - - -	—
„ Premium Account — Whole Term - - - - -	21,000	„ Claims - - - - - -	—
„ Premium Account — Short Periods - - - - -	100	„ Re-Assurance Premiums — Whole Terms - - -	1,200
„ Premium Account—Joint Lives	200	„ Investments - - - -	47,000
„ Annuities Sold - - -	3,500		
„ Interest Account - - -	—		
„ Proprietors' Bonus Account -	1,000		
„ Policy Bonus Account - -	2,400		
£.	48,200	£.	48,200

The cash transactions till the next period of investigation will be posted to the above accounts, and the accounts of charges (that is, expenses), claims, and interest, will be re-opened; the future ordinary balance-sheets being composed of the values brought forward at the investigation, with the addition of the intermediate transactions, till another investigation. By comparing the balances before investigation, with the balances after investigation, it will be perceived, that actual results, as compared with calculated risks, come in the course of years to require correction, and that annual balance-sheets without an investigation cannot show the real state of a company's affairs.

Lunæ, 9° *die Maii*, 1853.

MEMBERS PRESENT.

Mr. Wilson.	Mr. Hamilton.
Mr. Chambers.	Mr. Freshfield.
Mr. Cowan.	Mr. John Ball.
Mr. Mullings.	

JAMES WILSON, Esq., IN THE CHAIR.

James John Downes, Esq., called in; and Examined.

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1085. *Chairman.*] WHAT office are you Actuary for?—The Economic Assurance Society.

1086. In what year was that established?—In June 1823.

1087. Has your attention been called at all to the accounts which have been published with regard to the state of assurance offices under the Act of 1844?—I have seen the Returns that have been published, and also letters in the newspapers criticising those Returns, and the accounts contained therein, and I am acquainted with the principal facts.

1088. Are you of opinion that those accounts are in a satisfactory form at the present time?—No, they are not satisfactory in themselves, and many of them are not so intelligible as they might be rendered.

1089. Is it your opinion that it would be desirable that a periodical account of the condition of assurance offices should be placed before the public?—Yes.

1090. For the interest of the offices themselves, as well as for the assurers?—Yes, it is to the interest of the offices and of every assurer to know the exact condition of the office in which he is assured.

1091. Is it your opinion that a form of account could be fixed upon that would answer all the purposes for which an account would be useful?—I do not think that in the present state of life assurance societies, any account could be framed that would meet the case of each office or of all offices.

1092. No uniform account?—No uniform account; a number of offices confine their business principally to the assurance of lives to be determined on the death of the assured, either a single life, or one of two lives, or three lives surviving,

viving, as the case might be; in the case of such offices I think an uniform account is quite practicable, as is shown in the case of the Equitable, the Rock, and such offices as publish their annual accounts, there would be no difficulty; but in offices where a variety of risks of a complicated nature are undertaken, a particular account should be furnished with respect to each description of assurance, and many particulars would be required in those accounts which would not be required in such as I have spoken of. For instance, such offices as assure deferred annuities, where they should furnish the age of the assured, and the period at which the annuity is to commence. They would require classification. Again, with respect to those we call temporary and endowment policies, they would require classification as to the age when the assurance commenced, the party's present age, and the time at which his endowment is to become payable. From the variety of schemes of that kind, I think, to enable the members of such societies to form a correct judgment of the position of their affairs, very minute details would be required to arrive at a tolerably exact conclusion.

1093. The difficulty you say in an uniform account would have reference chiefly to the new offices who have established the principle of assurance for a great number of new purposes?—Yes.

1094. Would you suggest an annual account or a periodical account?—I would suggest a periodical account, such as the office itself has fixed upon at its periodical rests, but I would also have an annual account of receipts and expenditure; that is, an annual statement such as is made by most offices, with a view of satisfying the members of the societies that their business is being conducted on a satisfactory principle.

1095. That its progress is satisfactory?—Yes; that all monies stated to have been received have been received, and that no more than the amount that is reserved, or supposed to be applicable to the payment of expenses, has been so expended.

1096. Do you conceive that there would be any difficulty in making such a periodical valuation of the condition of the company, so that it might be made known to the public without any very objectionable interference with the affairs of the company itself?—I think such returns could be made as would enable competent persons to form a judgment.

1097. Would your office have any objection to make such returns?—None whatever. Every member of our society who is assured for 500*l.* is entitled of right to attend the annual meetings of the society, and every member present is entitled to ask any question, or to ask for any account he thinks proper or necessary for the elucidation of the statements made.

1098. What in your opinion would be the most important element of such a periodical account?—The first thing would be that each class of risks should be stated separately, and where practicable, all entering at the same age should be combined; otherwise we should require the ages of all the parties assured, the period at which the sum assured would become payable, and the amount of premium receivable in respect of such assurance.

1099. In what way would you apply the future premiums?—In such cases as those I am speaking of they would be temporary annuities, therefore it would be necessary to have, as all offices have who do that kind of business, tables of temporary annuities calculated on the same principle as their other tables.

1100. In what way would you value the future premiums payable to the office as assets for existing liabilities; would you take the gross amount payable, or a portion of it?—I should take only that portion of it, supposed to be applicable to the risk, leaving a margin to pay future expenses.

1101. Then you would not take credit in your balance-sheet for the whole amount of premiums payable to the office?—No, that would be very erroneous, because the whole amount payable under the contracts may never be received; you are not sure of any portion of it beyond that which you have already received.

1102. Supposing it is received, would it be applicable to the payment of the risks?—Yes.

1103. Would it not also be applicable to all future expenses and contingencies of every kind?—If it be not disbursed, as profit; if it be reserved, it would be so.

1104. In what way would you propose to deal with the future expenses in such an account, in order to deprive the account of the portion which is provided against future expenses?—I should take credit only for that portion of the premium which is calculated to meet the risk, leaving the other part to pay expenses and provide profits.

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1105. How much per cent. would you take off the gross premiums as an average? What per-centage deducted from the gross receipts as an average, do you think would be sufficient for that purpose?—Every office has its own rule for that. Some offices calculate their premiums at a high rate of mortality, and a low rate of interest; such offices would require but a small margin; but such offices as employ a low rate of mortality, and a high rate of interest, would require a considerable margin to meet contingencies to pay expenses, and to provide profits, if they undertake to divide profits. Now, in doing that, there is another element which I will mention to the Committee, viz., in cases where this margin is taken credit for, even if the circumstances of the society would appear to justify it, it is taken erroneously by being taken as an annuity for the whole term of life, because it is known by experience, that a large proportion of policies of assurance are determined from other causes than by death; so that by taking credit for an annuity equal to the margin of the premiums for the whole of the life, you take more than can possibly be realised. When I say possibly, I mean from the experience of societies, more than in any probability will be realised. I have taken out the proportion in our own office. We are of 30 years' standing. From the results of the first 500 policies, I find of those that have ceased to exist, two-thirds nearly of the entire number have been determined from other causes than that of death.

1106. Were those 500 policies taken for life, or for shorter periods?—The majority of them were taken for life; I have the figures here which show these results.

Present position of the First 500 Policies:

In existence	119
Dead	149
Purchased	118
Lapsed	86
Term expired	28
TOTAL	500

I find that those policies which have been determined by death have existed on an average for 14 years; such as have been extinguished by purchase have existed on an average nine years; the average duration of lapsed policies is three years; and of those of which the term expired, five years. So that it appears that an office estimating its profits for the duration of life on the margin, takes credit for much more than it can possibly receive, and, therefore, on that ground, such a principle is erroneous, and must in the end be very unsatisfactory to the parties concerned.

1107. But would it be possible for any policy to be concluded under any circumstances, which would not be more favourable to the office, than if it were continued for life? For example, if a policy lapse altogether by forfeiture and the cessation of premiums, the whole of the past premiums, or such portion of them as has been reserved as capital, becomes clear profit to the society. Again: if the society purchase policies, it will only purchase them on such terms as will be favourable to themselves, therefore at a lower rate than the actual risk which they incurred by their continuance. Putting aside the policies which are taken for short periods, and therefore are not applicable to this consideration, those are the two cases in which policies would become void prior to the death of a party; in both those cases, would it not be more to the profit of the company than if they continued for the whole of the life?—If we were to take an extreme view of that case, it would be the ruin of the society, because if all the policies were void the society would be gone; but with respect to the gain from the lapse of policies, I think there is an erroneous impression on the public mind with respect to the profit the office makes on lapsed policies. All the society can gain by the lapse of a policy, is the value of it at the date of its lapse, which is considerably less than the amount of the premiums that have been received upon it; but then the office loses a portion of its business; if that be a profitable business to the society, the lapse of that policy is a loss and a prejudice to it, to a certain extent, because as all the principles of life assurance are based upon that of averages, and the averages become more uniform in proportion as the number of assurances is great, so any diminution in the number of assurers in an office, is to a certain extent a prejudice to the remaining business of the office. The same reasoning will apply to the purchase

purchase of policies. The company certainly does make a small profit by the purchase of a policy, by not giving what is called the full office value for it, but it is a very small profit indeed, and I think it loses more by the loss of business and connexion, as it would be quite certain that a party tendering a surrender of his policy is conscious of being in good health, and it is not likely to become a claim on the society for some time, and therefore, in the party's own estimation, the society is losing a portion of very good business.

1108. When you say the society loses on such a transaction in any way, you refer to its future business?—Yes, its future prospects.

1109. But not in its present condition?—Not out of the funds of the society in hand.

1110. I suppose in the extreme case you have put, that if it should happen that all the policies should lapse at once and the assurers cease to pay their premiums, the proprietors would have an enormous sum of money to distribute among themselves, viz., the whole of the capital of the company?—Yes, they would have the funds in hand at the time; but such an event is not likely to happen in a well-established office whose affairs have been well managed. My remark is directed more particularly to such societies as have expended on an average 80 per cent. of their premium income, and also allow a moiety of their premiums to remain unpaid. In such cases the capital on hand must necessarily be very small, consequently the abandonment by the members of their policies would effectually close the office, and leave the proprietors, instead of an "enormous sum to divide among themselves," but very little to compensate them for the loss of their business.

1111. Then as regards the actual condition of companies at any given time, the lapse of policies must be a source of profit to the society at the moment, though it might detract from the profits of the business in future?—Yes; it would be that; but suppose an assurance is producing a profit, say of 10 per cent., at the period it is surrendered, or ceases from non-payment, then the office loses prospectively that 10 per cent.; as our views are prospective, as well as immediate, it has that effect on the prospects of the society.

1112. Ought not every assurance office be based upon this principle, that if at any moment it were to wind up its business, there would be capital to pay up the last risk?—Yes.

1113. And therefore, when you say that an assurance office is a loser by an abandoned policy, it would be that the office in future would not be so profitable as it would otherwise be?—That is the case, since the expenses would be thrown upon a smaller number of contributors.

1114. Would you see any difficulty in furnishing such an account on some general model or uniform principle derived from the modes in which the different offices make up their accounts, by some able actuary with the assistance of the actuary of the office, so as to make it intelligible on some uniform system?—I think the form of return Mr. Ansell suggested, viz., that furnished by the Equitable, or something similar to that, would meet every purpose; and with respect to any supervision of that, I think myself that if there be any supervision, it must commence at the beginning. If the return is made in the form suggested, it must depend on the integrity and skill of the officers of the society to make that return; the final result, that is making the final calculation, is a matter not of so much importance as the framing of any account would be. So if you can place sufficient confidence in the integrity and ability of the officers of the society to make up the return, you may as well trust them to make the final calculations, provided they state the principle on which those calculations are made. In that case the information would be open to all the public, and every member of the society could satisfy himself as to the justness of the conclusion. I cannot see myself that it would be necessary to have any other authority to give an opinion upon that, because it must come, if there should be a difference of opinion, to a question of opinion upon that and other matters.

1115. You mean if the official actuary, when brought in at the last hour, must necessarily assume all the data that is placed before him to be correct?—Yes.

1116. And it depends entirely on the correctness or the variations of that data, whether conclusions at which he might arrive would be right or wrong?—Yes, that is the case.

1117. Supposing the data, where relied upon from the respectability of the office and of the actuary, were sufficient to give a fair guarantee for the accuracy

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of the data, what I want you to tell us is, whether you think that data, arrived at in the various modes in which different assurance offices take their accounts, could, with convenience or ease, be put into some common form that would be intelligible to people who were not professional actuaries?—Different offices have different modes of keeping their accounts; such a form, if agreed upon, might be adopted by every office in preparing an account in that way; but it would, I think, involve in most offices a great deal of labour and great expense to prepare the account on an uniform system. With respect to our office, I am bound to make a valuation of every individual policy; I make it up to one particular day, which involves an immense deal of labour; it occupies me and several clerks a year in getting it ready, and, I think, were an officer allowed to come there, unless he took my word for the accuracy of all the statements, he could not supervise it without expending at least as much time upon it as I had; it would take one officer three or four months each year; and if it came to 100 or 200 offices, no individual could do it.

1118. Those valuations you make for the use of your own society?—Yes; there are two things in that, first of all the principle, and then the arithmetical accuracy. Now I should say if any person came to supervise that account precisely, as to any of my brother actuaries, I would explain the principle upon which all these calculations are made; you are as competent to judge of the justness of those principles as any one else can be; it is for you to say whether that is the right principle or a wrong one. If the principle be a right one, then you have only to depend upon my arithmetical accuracy, and my skill as an actuary, in applying the proper formulæ of an arithmetical character to my calculations.

1119. Do you think there would be likely to be any very serious difference of opinion between different actuaries as to the safeness and correctness of any principle adopted in the formation of such an account?—I am not aware; there is certainly a difference of opinion as to form. With some actuaries of reputation, it is considered proper to take credit for the entire future premiums; others, I believe the majority of actuaries, do not consider that a safe principle; and as a difference of opinion does exist on a matter which appears so clear on one side, there may exist a difference of opinion upon other matters, viz., the rate of mortality, which is to be the basis of the calculations, or as to the rate of interest that should be assumed. We may have a person who is a good theoretical actuary, who may apply formulæ with very great facility, but who has had no experience in the working of companies, and, therefore, he would not be able to apply those forms and theorems usefully to the business of a life insurance company. For instance, very few people but those engaged in life assurance companies, know that the rate of interest at which the funds of the society can be improved, that being a matter of experience, some say you ought not to make the calculation at more than 3 per cent., others say 4 per cent.; it is a matter of opinion, and there will always be a difference of opinion, and we should shelter ourselves under the experience of our offices, viz., what we have done, and what we have a prospect of doing.

1120. That you cannot do until you have been in existence for some years?—No; I think the actuary of an office can judge better of the present position and future prospects of the office, than any other person, however clever he may be.

1121. It is the practice with the great bulk of assurance offices now to divide a portion of their profits in the shape of bonuses, or increased sums assured periodically amongst the assurers?—Yes.

1122. All that process I have been inquiring about must be gone through in order to arrive at the bonus that must be declared?—Yes.

1123. As that is a very serious and important thing, do you suppose that many offices have divided bonuses upon a principle which the actuaries of other offices would think unsafe?—I have seen it stated in published reports that a clear divisible surplus of so much remains, but I infer from the practice of the office that they do not believe that to be the fact, because they state a divisible surplus to a large amount, and recommend a division to a smaller amount. Now, if the office has an actual surplus, and declares it to be a surplus, they may safely divide it unless they give very good reasons for withholding a portion of it. If they give a sufficient reason for withholding a portion of such surplus, then I say in their judgment such a surplus does not exist, and ought not to be stated. If I were to make a valuation on that principle, I should show a surplus exceeding half a million of money in the hands of our society beyond the surplus actually realised; and

and if I were to say, "There is half a million of money profit," the members would say, "Let us divide it; if you have that surplus, what reason have you for not dividing it?" "Why it is a surplus that may come; supposing that you were in a condition to commute your premiums for the whole term of life into present assets, and to put the amount to your credit in the account, then we would have a further surplus of half a million to divide; but until it is brought there, such a surplus does not exist."

1124. You are assuming the case now where you take the gross premiums?—Yes; if I took the gross premiums I should show as a surplus over and above what I actually have under the circumstances of our society, an imaginary result of 500,000*l.*

1125. Do you believe there is any society who divide a bonus on that principle?—I cannot say whether they divide a bonus or not on that principle; they publish such to be the surplus. For myself, I would not give anybody credit for doing that, because by doing so they throw the entire expenses of future management upon future assurers; and if such a fact were known, viz., that the society had divided to the very limit of its prospective advantages or income, who would go into that society, seeing that it must be upheld by those who come into it after such a division was made, and that no profit hereafter could arise, since they divide once for all; I mean, assuming that they fairly act on their own statement.

1126. But a similar profit would arise in future years upon all new business?—The profit of the new business would be consumed in payment of expenses; you cannot recruit a society so rapidly as to bring in a host of new assurers to make up the deficiency of old ones.

1127. Then, although you think these statements are published based on that theory, and although you say there are actuaries who really contend that such is the sound theory of a statement of accounts, yet you are of opinion that there is no company so imprudent as to divide bonuses calculated on that principle?—I am not aware of any one that has done it; I cannot speak of it as a fact; where a bonus is declared, it is declared in the shape of so much per cent.; and unless one had the means of ascertaining the exact amount given to each individual assurer, and the aggregate of the fund, there are no means of knowing whether the whole fund is distributed or not.

1128. As far as you know, on what principle is the bonus divided; is a valuation made that would be considered safe?—I value every policy individually as I have stated; thus I obtain the gross amount that should be reserved on account of existing assurances; we then value all our securities. That is an element in the position of an office which it is very material to consider. It is not only that you may make a great error in valuing your liabilities, but you may make a great mistake in estimating your assets. The way we proceed is this; we have an account of all our investments, such as are in Government securities, and so on, classified according to the nature of the securities, viz., whether consols or anything else; then we take our mortgages, life interests, and reversions; those constitute all the classes of securities that we hold, except the Government securities; these are estimated to retain the money value we paid for them, excepting reversions which require valuation; but to meet the fluctuations in the price of stock we make a very large deduction in the value of all our Government securities, not only from the market price of the day, but from the price we purchased them at; so that that one element gives in our case a margin of security, say of 10 per cent., on our Government securities. Then having employed, as I should say, the depreciated value of our assets, we have thought it prudent to increase the value of our liabilities with this view, viz., of not dividing too much at any given time, producing an impression in the minds of the public or of the assured that we shall be able to divide more than it is probable we could do. Then, for the purpose of showing my directors, I make some valuations and classifications to ascertain what would be the effect upon the value of our liabilities, if all the valuations were made at the rate of one-half per cent. lower than that employed in the seriatim valuation; and I found, on four successive occasions of valuation, that by increasing the total amount of our liabilities by five per cent., that addition compensated for the half per cent. in the rate of interest employed as an element in the calculation, and we have always thought it right to take our liabilities at least 5 per cent. greater than our calculation gave.

1129. But so far as the profits or bonuses are concerned, if I understand

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your answer right, the larger the proportion of your assets that are held in Government securities, the less would be the amount of profit that you would divide?—Yes, decidedly.

1130. Inasmuch as you take a margin off those?—Yes.

1131. And none off other investments?—No; when those two operations have been performed, we take the difference: if the assets exceed the whole of the liabilities, we may then state so much surplus. Then we consider it necessary, in addition to that, seeing we have a large number of persons assured,—deaths may have occurred of which we have not been informed, and therefore we consider it necessary generally to reserve a sum estimated to be sufficient to meet a contingency such as that.

1132. Have you arrived at any general computation that would show what proportion the existing amount of accumulated stock of the company would bear to its gross liabilities at any particular moment?—Yes; I found that as far as our experience goes, that is for 30 years, without reference to rate of interest or any rate of mortality or margin, the value of the entire liability on the existing assurances is about one half the amount of the premiums received on those assurances, therefore I say, on a general principle, that if we have 50 per cent. of the premiums which have been received on the existing business, what has been received on those which have gone off has been spent in claims and expenses. If, say, we have issued 100 policies, for instance, and we have got 20 of them left, if we have received on the 20 policies that are left, say 100 *l.*, and we have more than 50 *l.* in hand, we are quite safe, and all we have more than 50 *l.* may be considered as profit. There is another point with respect to that: an office that has already declared bonuses will have made additions to its policies, and therefore it should have capital in hand to meet the bonuses, and as a general view (I do not say it would be exact) it would enable you to form a correct estimate as to the amount of the liability. I should say for every 100 *l.* addition to a policy, you should have as much per cent. as is equal to the age of the assured. Suppose, for instance, a man of 50 has had 100 *l.* addition to his policy, the office should have 50 *l.* in hand to meet that claim; if his age is 60, it should have 60 *l.*; I state that as a general principle; I do not say it is exact, but it would enable parties to form a tolerably good judgment. And there is this with regard to offices such as ours, that all the premiums are quoted on a principle, viz., on a margin; but if the Northampton premiums are used, I find to make a similar valuation on the Northampton tables that I have on my own, 44 per cent. of such premiums would be sufficient; therefore I should say the limit of safety lies between 45 per cent. and 55 per cent. That is, if you have 55 per cent. of the premiums; then you may be sure the office is safe. That will only apply to such offices where the principal business is the assurance of single lives, which is our case. I find that in the last year, out of 543 policies, all but 15 were on single lives; therefore I say, that principle will apply to us; but to such cases as I mentioned in the early part of my examination, that is endowment assurances, and things of that sort, that rule would not apply. For instance, I will take what is called an endowment assurance; you ought to have four-fifths of the amount of the premium in that case, because you are approaching the period when the payment has to be made, and it will require a much larger per-centage than for an office where the principal business is for the assurance of single lives, and, in my opinion, that would be a very good test of its solvency.

1133. Forty-five per cent. in the case of the Northampton tables, and varying to 55 per cent. according to your tables?—Yes; within those limits. That, I think, would be a return which it would not be difficult for an office to make, because I believe all offices register their assurances as they are granted, with a column for the premiums; such of them as have gone off would be struck out; therefore they would cast up each year, and multiplied by the number of years elapsed.

1134. What portion of the premiums received by the office would you regard to be a satisfactory and safe one to be consumed in expenses?—That would depend on the amount of the premiums charged. Where the amount of the premium charged is in itself large, they might afford to spend more than in an office where the premium itself is small; but my own impression is, that from 10 to 12 per cent. of the premiums with an office well established would be sufficient. Mr. Ansell put in a statement in his examination, of a number of offices who, in the

the first five years of their existence, expended about 14 per cent. of their premiums, and I believe that some of the modern offices have expended 80 per cent. or more of their premiums. Now I consider no office can afford to spend more than the margin put on the premiums for expenses; for it is quite clear that if more is spent than that margin, a portion of the risk premium is consumed, and that must either be compensated by future assurances, or it must come out of the pocket of the shareholders to make up any deficiency. Such an expenditure is considerably greater than the business of the office could sustain. It may be held that that would correct itself in the lapse of time; that the business of the society would be so much increased as to do away with the effect of spending more than its ability in the early period of its business. Comparing certain offices of from 12 to 15 years' standing, I see in that time the average amount of premiums was above 25,000 *l.* per annum for each office, while in certain modern offices I see the average amount of premiums received was about 4,500 *l.*, that is about one-sixth of the other. Now if an office having 25,000 *l.* a year in premiums can afford to spend 2,000 *l.* a year in expenses, an office having 4,500 *l.* a year in premiums cannot afford to spend as much. The expense of offices are pretty nearly the same, whether they do much business or little; and to meet the present competition, and to satisfy all the demands made by parties bringing business to the office, a much larger expenditure would be required necessarily in a new office than in old ones.

1135. Do you consider, then, under any circumstances it would be safe for an office, whether young or old, to spend more than the loading, as it is termed, on the premiums which they charge on the business actually done?—If they spend more it must manifestly be to the injury of the shareholders, or of future assurers.

1136. But with very young offices, where, by forcing themselves, necessarily at a considerable cost, into business, it may be necessary to spend a larger sum, and where the business is extremely small at first, is it your opinion that each office ought to have a distinct and separate fund for that purpose, whether from a subscribed capital of the proprietors, or a sum subscribed by the promoters?—My impression with respect to that is, that there is no prospect of any compensation being made for that extreme expenditure, because it would seem that if each of the former offices received in the early period of its business 25,000 *l.* a year in premiums, and the others only 4,500 *l.*, it would show that there was not sufficient material to support these offices. There is not the demand for life assurances in proportion to the number of offices existing at the time; and it is not probable, in my opinion, that all these offices will obtain such an accession of business as to compensate for the loss necessarily sustained in the early period of their transactions.

1137. Still it would be perfectly safe for any office, whatever the amount of its expenditure might be, and however small its business might be, to go on, provided any extraordinary expenditure over and above the loading of the premiums were furnished from some other source?—Yes, but it cannot be furnished from any other source except at a loss to some parties.

1138. Suppose it is the capital of a proprietary body who have faith that, by the means they are using, they will in course of time establish a business that will compensate them for the extraordinary expenditure they are making, so strong as to furnish the costs of that business from some other fund irrespective of the loading of the premiums themselves, would that be a safe thing to do?—Those contributions must be repaid at some time, for we do not find that people are so very benevolent as to subscribe their money for the sake of carrying on the business of a society. If parties take shares in a society they do it as an investment, and expect to remunerate themselves. If a portion of that be sunk, and there is no prospect of its being repaid, loss must accrue to the shareholders.

1139. I am not asking as to the probability, I am asking as to the effect?—The effect is so; as long as it has funds the business will go on.

1140. It would be perfectly safe if a number of individuals had sufficient faith in the ultimate success of the office, and that it would ultimately repay them what they were advancing as capital, the office itself would be in a perfectly safe condition, so long as the premiums were not encroached upon more than the loading which was added to the premiums for expenses?—If the parties could live on faith that would do; but I much doubt whether people's faith is so strong.

1141. Wherever the expenses are more than are provided for by the loading of the premiums, and there is no fund adequate from other sources, it must, in your opinion,

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opinion, be manifestly to the hazard and risk of the assurers, and to the consumption of the capital which ought to provide for that risk in the long run, that the expenses must be paid?—Yes. I should like to state with respect to the state of the accounts of a life assurance office, I consider it is a matter which concerns either the shareholders of the society in a proprietary company, or the members of a mutual society. If it be a proprietary company, I believe in most cases they have meetings annually of the proprietors of such company; if they consider that the affairs of the society are not in a satisfactory condition, they call for such investigation, and have such accounts rendered and such remedies applied as will secure them from loss. With regard to a mutual assurance society, it is a matter which concerns the members only; I believe it is a rule of mutual societies, that every person under certain qualifications is a member; and if members of a mutual society have reason to believe that the affairs of the society are not conducted in so satisfactory a manner as may secure their mutual interests, they would call for such accounts and have such investigations made as would satisfy them, and I consider that both proprietary and mutual offices have the remedy in their own power if anything should be going wrong. If the proprietors think right to run the risk a length of time in the hope of better times coming, let them do so; the loss will be theirs. In a mutual society, if their affairs are not so satisfactory as they wish, they may make greater exertions or contribute more to put the society right.

1142. Is it your opinion that there is a sufficient amount of information now before the public with regard to the condition of assurance societies to enable either the proprietors in a proprietary society, but more especially the members of mutual societies, to come to a fair judgment upon those matters as to the general management and condition of the society?—We find that people are very acute when their own pecuniary interests are involved in the matter, and there are very few societies where you will not find a sufficient amount of intelligence to detect anything that is egregiously wrong.

1143. Do you consider that the shareholders in proprietary societies, and those who assure in mutual societies, are sufficiently informed, and take a sufficient interest in the concerns of the society, to understand the mode in which the accounts are made out, and to be satisfied that the affairs of the company are on a sound basis?—I do not think that the shareholders do, but I am satisfied a large proportion of the members do.

1144. Do you think, practically, from your experience of those who appear in your own office, that there are many persons who, in their lifetime, ever make any inquiry at all?—Yes; they very frequently wish to know the particulars, and our chairman, at our annual meetings, always says, "If you wish for any information, either go down to the office and ask for the books, or you may have it on the spot, if it be of such a nature that we can give it;" and we have had such inquiries made as satisfied the parties upon the various points they had been asking about.

1145. Supposing a statement were made at the annual meeting, with reference to the amount of profits, and that statement had been made up on what you consider a false principle, viz., taking the gross premiums, do you think anything of that kind, a false mode of making the valuation, would be likely to be discovered?—Yes, I am quite sure if I were to make such a statement as that I should be called upon for an explanation.

1146. Do you think there would be members of your society who would know sufficient of the matter, immediately to suspect that that had been done, and to ask the question?—Yes, the question has been asked on more occasions than one, and particularly when the public mind has been directed to that subject. People who have their lives assured, now become very anxious about it; they make frequent inquiries as to the state and operations of the society. Sometimes people who have subscribed 20 or 30 years, say, "Now I am just going to wind up my accounts, and I should like to know whether I am safe; that there is enough in hand to pay me; that you have not given too much away."

1147. Mr. *Chambers*.] With regard to the expenditure which a young office may fairly make in a year or two, I think I understand you to say it cannot be safe for it to spend more than the margin which has been allowed for in the premiums?—I think not.

1148. Now take this case: a new society, which has just completed its first year of business, and it has spent 70 per cent. of the premiums which it has received; do you think that society would be insolvent?—I think to make up a valuation

valuation and transfer its business, it would be, because at most it would not have more than 30 per cent. of capital, supposing no claims to have accrued; and no other office ought to take such a business, receiving only 30 per cent. on the premiums. If I make a valuation at the end of the year, and there be 70 per cent. of the premiums spent on management, my valuation is minus 30 per cent.

1149. As to having 30 per cent. left of their first year's premiums, are not you aware that the most respectable old offices in London, if the business has been done with ordinary care in the selection of lives, would take the business off their hands, and add a premium, perhaps?—That is a matter of bargain and discretion, not a matter of principle; the thing is not right in itself. Just take this case: many of these offices allow half premiums to stand in arrear, which is virtually saying that every policy is worth half the premiums to be paid upon it. Now if the office can afford one assurer to leave half his premiums in arrear, it ought to have enough in hand to pay the other assurers one half, and they could not do it.

1150. We are speaking now of the position in which the parties who take these life assurance policies are placed, in any given case, and I take the strongest case which you have given us of the rash and heedless expenditure of an assurance office at the end of its first year; if at that time the assured are safe, do you consider that there has been anything wrong and censurable in the expense that has been incurred?—If so much more has been expended than is applicable to that purpose, the society cannot be safe. That is my position. It does not matter that another person will make a bad bargain, and buy a thing for more than its value.

1151. Have you ever gone into the calculation: supposing the lives to be selected with care, at the end of the first year of an assurance society, what would be the value of the policies at that time; what per-centage of the whole amount of premiums?—At the end of the year it would be as nearly 50 per cent., or one-half, as possible.

1152. Supposing the lives to be young and selected with care?—Yes, the same that come into offices generally. It is supposed, I believe, that people coming into an assurance office are so selected that they will not die for a considerable time: now that is not the case; we find people die in the first year of their assurance, and that is as likely to happen to one office as to another.

1153. Now, then, on the amount of expense; when you say out of the first year, do you deduct the large outlay which may be called preliminary expenses, and which should be spread over a number of years?—The outlay on the first year will necessarily be greater; I speak of a period of years; and I think for the first five years of the society's existence, more than the margin of the premiums ought not to be expended. Taking the preliminary expenses or the general expenses, I should say in the first five years you should not spend more.

1154. At the end of the first five years not more than the margin should have been spent in expenses?—Just so.

1155. Now one word on the effect of lapsed policies and purchased policies: you said in both those cases you considered the society did not derive any great advantage, but the question which I think the Chairman put to you with regard to those points was, what effect it would have upon the consideration of assets and liabilities?—It has no effect; because when the valuation is made, that is a business which has gone by, and they value only the existing business.

1156. You say the future annual premium should not be estimated, because it may never be received; but suppose it is estimated, and suppose the policy lapses, inasmuch as the policy was estimated with the liability on the one side, and the whole life premiums as assets upon the other, does it not leave the conclusion quite unaffected?—No, it has this damaging effect upon the society; the question is, when the premiums have been valued on the one side, and the liability on the other, what is the effect? The effect is this, that in valuing the future of premiums, I have taken credit for a considerably larger sum than I debit myself with on the other side; if the policy lapses I lose that. Suppose I take an instance: a man has assured on a premium for which he has paid 40 *l.*, and 10 *l.* of that is margin, which, if I value at 15 years' purchase, gives me 150 *l.* prospective profit; he has only paid 10 *l.* into the society, so that the profit of the society by such a transaction, at most, would be 10 *l.*; but if I credit myself with 150 *l.* prospective profit, and the man ceases to remain a member of the society, so much of that profit is gone, I am a loser of 150 *l.*

1157. How much is struck out on the other side?—The value of the liability

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at most, which would be 20 *l.* Say, I received from A. B., 40 *l.*, 10 *l.* of which is supposed to be profit for expenses; the whole is worth 15 years' purchase, and 15 years' purchase of the 10 *l.* per annum for expenses, is worth 150 *l.*: the policy at the end of the year, on the principle I have given, is worth half the premium which has been paid, say 20 *l.*, on the one side; then I have 20 *l.* of liability on the other, and for 150 *l.* of profit, I lose my liability of 20 *l.* on the one side. I am relieved from that, but I gain a loss of 150 *l.* on the other; the society, therefore, would be, by 130 *l.*, in a worse position than it was before the lapse of the policy, on such an estimate of its position.

1158. *Chairman.*] That is in case you had taken credit for the gross premiums?—Yes.

1159. Mr. *Chambers.*] Would not that apply to a certain extent, even if the net premiums were estimated?—No; because if I lose the net premium I lose a liability with it. It comes to this; suppose the society made 10,000 *l.* a year receipts, and 10,000 *l.* a year expenditure, the loss would be so great it would be worse than insolvent.

1160. Would that calculation be materially affected in proportion to the number of years for which the person had paid the premiums?—An annuity for life would be the formula on which the profit would be measured.

1161. Would not also the risk of a particular life be greater nearer to the period of the natural lapse of the life, and the arrival of the liability, than at an earlier period of the assurance?—Yes; the loss of liability would be greater, but we find now that very few people allow their policies to lapse. In such a case as I have stated, where you consider the annuity to be measured by 15 years' purchase, there is the loss of 10 *l.* a year for that time, and on the other side there is the value of the policy. In the one case the party would come for such portion of the value as would be given by the office for the surrender of the policy. Suppose the policy had been in force 10 years, and I had received 100 *l.* upon it, I say, generally, 50 *l.* would be the office value of that policy; and suppose that instead of giving him 50 *l.* for it, I gave him 40 *l.*, I then give the assurer who surrenders his policy 40 *l.*, and on the other side I have credit for 10 *l.* per annum, he is to pay me for life, according to the mode of estimating what I value at 100 *l.*; then he takes away from me part of that 50 *l.*, I get a profit of 10 *l.* on one side, and lose 100 *l.* on the other; I give him 40 *l.* for what I consider to be worth 50 *l.*, and he deprives me by that surrender of a profit which I have estimated and set down in my account as of 100 *l.* value.

1162. Mr. *Mullings.*] In effect, it is a loss of business?—It is an actual loss of the amount; I say, upon that principle of valuation that would stand as 100 *l.* of assets, and I am deprived of 100 *l.* of assets by the removal of the assurance.

1163. *Chairman.*] It is what has been stated, a loss of prospective profit?—Yes.

1164. It is prospective profit which ought never to have been taken into the account?—That is the case.

1165. Mr. *Chambers.*] I do not know whether I am right in understanding you to say that no division of profits ever takes place on that principle?—I am not aware of any myself.

1166. That is not courageously on that principle up to that extent?—I am not aware of a case within my own knowledge that I can speak of; if it were to be done, I have just shown what the effect would be.

1167. At the next valuation the effect of the error would be discovered?—The effect of the error would be discovered at once; for the office, when they give the parties the option of taking a ready money bonus, can buy up their own bonuses. Suppose the office on such a valuation were to divide 100,000 *l.* in reversionary bonuses, and then say to each of the assured, not having the 100,000 *l.*, that 100,000 *l.* being only an imaginary sum, which may come, "We at once declare that as a bonus;" and then let the assured come in and say, "I will take the money for my bonus;" where is the money to come from? It cannot be done. You have declared a bonus of 100,000 *l.*, and are not in a condition to pay one penny.

1168. Mr. *Mullings.*] Then they offer an alternative?—Yes, an addition to the policy, or the party may surrender his bonus for cash.

1169. Then they offer the bonuses in that form?—Yes, many offices do.

1170. Mr. *Chambers.*] With regard to the loss from lapsed policies and purchased policies, it would nevertheless be a very simple calculation to ascertain what

what the value of the next five years' profits would be in any office. Any actuary would undertake to determine that amount, taking the risk into consideration?—No, I do not think any actuary would do it, because, until the five years had passed, and the actual facts were before him, no actuary could make the calculation.

1171. There would not be sufficient data?—There would be no data; the business may cease. Suppose you were carrying on your own business, and there is no other cause in operation to bring your business to a close than mortality, then you may safely estimate what the state of the society will be at the end of the period, but you do not know how you can improve your money, or what losses there may be; and if you assume the rate of mortality, the mortality may be excessive in one year or two years, much greater than expected, and that would have a very great effect.

1172. Mr. *Mullings.*] With respect to the first expenditure of offices, do you know of any instance with regard to any office whatever, where they have on an average of five years spent anything approaching to 70 per cent., exclusive of the preliminary expenses?—I only know those offices that have published returns under the Registration Act.

1173. Do they distinguish between the amount of preliminary expenses and ordinary annual expenses in those returns?—I am not aware. I consider all expenses as expenses; I do not understand any distinction.

1174. When a company is formed, a deed is drawn, a certain amount being paid up by the different shareholders, or persons forming the company, and is it not one of the trusts of that deed at all times that the preliminary expenses shall be paid out of the fund paid up by the shareholders or the persons forming the company?—That is not provided for in our deed of settlement, and I have not seen a deed of settlement where such a provision was made.

1175. Do you happen to know whether in point of fact they do pay the preliminary expenses from the fund paid up by the subscribers, irrespective of the premiums paid in the first year?—I apprehend the expenses are paid out of the general fund; the subscription fund and the premium fund are made one; again, the expenses are paid out of that, not out of a fund separately chargeable on the proprietors of the company, or to be kept apart.

1176. Is it your opinion, that in the formation of any of these companies some provision should be made by way of security to the public, or persons who assure, to prevent the assurance fund or premium fund being resorted to for the payment of any such expenses?—I certainly am of that opinion; it would be desirable, both for the security of a new office and the benefit of the assured, that there should be a guarantee fund; that parties originating an assurance office, in order to show their good intentions and their wish to uphold the office, should put down a sufficient amount of money to defray the preliminary expenses, and to provide for any contingencies that may happen.

1177. Irrespective of the ordinary expenses on the one hand, and the premium receipts on the other?—Yes; I think with respect to all proprietary life assurance offices, as being generally considered to be formed on the principle of benevolence, and a desire to extend the good effects of life assurance, that such parties as are desirous to promote the establishment of assurance companies should be in the position of being willing to uphold them by pecuniary contribution, and if they expect, as they generally do, some profit to arise, they should be prepared to sustain a loss, if any accrue during the early period of the society's existence.

1178. Has the mode which I am about to suggest to you come under your notice, as having been put into practice, or should you think it a desirable mode, in forming future associations, viz., that the paid-up capital, to a certain amount to be prescribed, should be appropriated, first, in payment of the preliminary expenses, and at all times held as a guarantee fund with reference to the security of the public, and the persons assured, the original proprietors receiving interest on the paid-up capital; would that be a desirable thing?—I think it would be desirable; I think it would be better for the public at large, and for the office itself, because it would give confidence in the office. If parties knew there was a fund sufficient to compensate for any excess of mortality or any extraordinary expenses that were not contemplated; if they knew that any loss would not fall on the assured, I think it would tend to give confidence in such an office, and that such an office would obtain a fair share of patronage.

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1179. Would you, in such a case, prescribe any terms or conditions with respect to the dealing with such a paid-up fund; should it be invested in the names of trustees, and not be dealt with as part of the ordinary capital of the company, except to answer a contingent deficiency?—I think it would be well that it should be invested in the names of trustees; I would take those trustees from the assured, and, in companies having a share stock, from the proprietors themselves: say four trustees; let two be the largest proprietors and two the largest assurers in the office; or, if you thought otherwise, let it be in the names of trustees having no share whatever in the office.

1180. Now, with respect to your office?—Our trustees are not eligible to hold shares, or to have any assurance, or be in any way interested in the affairs of the society.

1181. Do you think that assurance societies, or societies to be hereafter created, if founded on a basis of that description, would be founded with perfect safety to persons who assure and the public?—Decidedly.

1182. Mr. *Chambers.*] Do you think you would get a proprietary to subscribe the deed and incur the risk, being remunerated only by a rate of interest on that capital, without any share of the profits of the business of life assurance?—You might give them a small share of the profits to compensate for any risk they might take; that, I think, would be subject to some adjustment; but when parties are desirous of getting up an assurance company, I think they ought to give some evidence of a desire to establish the society's soundness by advancing something towards it without remuneration, at least for a time. If you give a rate of interest that would be sufficiently remunerative, such a rate as would cover the risk, I think that might be done. Say, for instance, the rate of interest always increases with the risk that is borne: if you invest in consols you would be content with 3 per cent.; in a railway you would look, or you would have looked formerly, for a higher rate. Taking the experience of these offices when established, where the risk has been shown not to be very great, or the loss to the proprietors not very great, perhaps a small increasing rate of interest should be sufficient, with an understanding that, perhaps, a certain proportion of the surplus should be given. I do not think that giving a given part of the surplus at any given time to the shareholders would be right; I think they should have some bonus proportionate, in some degree, to that given to the assured for the risk they have borne.

1183. Mr. *Mullings.*] Would there be any difficulty arising from the distinction between a proprietary office and a mutual office, in the plan I have been suggesting?—I think to establish a new company, if it be a proprietary company, the proprietors should expect nothing but a certain rate of interest for their capital; in a mutual office the parties giving a guarantee, it should be a guarantee fund to exist for a certain time, until the affairs of the society should allow of its relinquishment; that such parties should guarantee the capital, and should receive an interest simply for such guarantee.

1184. What should they receive; I want to have something which we may be able to consider a satisfactory guarantee to the public, and also satisfactory to the persons advancing the money?—Where it is a proprietary company, they must make their own conditions; they must regulate the rate of interest so as to remunerate them for the risk of adverse circumstances placing their capital in peril.

1185. Would it not be prudent that they should have a relative proportion of the profits?—Yes, perhaps so; they do not now.

1186. Mr. *Freshfield.*] In answering the question as to the operation of a guarantee fund, you have given your opinion on the principle only; I wish to know if you have calculated the proportion of paid-up capital which should constitute that guarantee fund?—I should be disposed to take from any one individual not less than 50 *l.*; I think any person who cannot afford to pay down 50 *l.* is not a person in circumstances to become a shareholder or guarantee for a life assurance office.

1187. And I think you said the shares should not be less than 100 *l.*?—I should say 100 *l.* shares.

1188. *Chairman.*] Is it not the case at present, that in a proprietary office either the whole or a portion of the profits are distributed among the proprietors?—Yes; but there is at present but one purely proprietary company. Most offices are of the class called "Mixed Proprietary," and give to the assurers a considerable share, in most cases as much as four-fifths of the profits.

1189. And

1189. And would not the prospect of that profit in proportion to the members' interest be of itself sufficient inducement to persons to go into a speculation of that kind?—Yes; the fact of its being a proprietary company where no condition is to be made, in my opinion, would prevent the establishment of the society, because most of the companies which have from time to time given a certain proportion of the gross profits, have recently agreed to give a larger share to the assured, therefore I think upon the same principles and on the same conditions as existing offices that could not be done: all those interests established in those offices I think are engaged in the proprietary companies. I think it would be very difficult to establish a proprietary company at present on the same terms and conditions that others have been.

1190. Would it not be advantageous to the public rather to have a guarantee in that form than to have a larger share of the prospective profits of the business, thereby leaving to the proprietors a fair share of the profits for the risk which they run by contributing to the guarantee fund?—I think a guarantee fund, in the infancy of a life assurance society, is a very important thing.

1191. Was your society commenced with a guarantee fund?—We had a shareholders' fund. Our capital was to be 200,000 *l.*, with the condition that the shareholders should be paid off with 100 *l.* per cent profit on such proportion of the subscribed capital as had actually been paid up, so soon as one-fourth of the profits amounted to the necessary sum. That occurred to us in 1844, when we had 50,000 *l.* paid up, and we were enabled from one-fourth of the profits of that, and the previous divisions of profit, to pay off the shareholders with 100,000 *l.*, so that guarantee of the shareholders ceased, and we became a mutual society.

1192. Then you began as a proprietary society?—We did.

1193. And having paid off your proprietors in the course of a few years by the profits of the business, you became a mutual institution; the assured sharing the whole of the profits?—Yes. I may add, that such was the amount of the business at the time we paid off our shareholders, that the gross amount of the shareholders' fund would have been but a very small per-centage of the gross amount of the sums assured, so that we became a mutual assurance society, having a large assurance fund in hand. We had 50,000 *l.* paid up, and the profits realised amounted to 200,000 *l.*

1194. Mr. *J. Ball.*] You stated that you thought it would be desirable that one half the amount of the shares should be paid up; do you on consideration think that necessary?—I think it is necessary to give confidence to the public. I do not think, so far as the experience of our society would justify me in stating, that any subscription capital is necessary, because we never had occasion to touch a penny.

1195. For the purpose of giving confidence to the public, do you think it is necessary?—For the purpose of giving confidence it is. If a person wishing to assure his life, knew he had a guarantee of 30,000 *l.* or 50,000 *l.* in common to himself and all the others, he would feel more confidence in the society than if there was only 5,000 *l.* or 10,000 *l.*; therefore, if a guarantee capital can be obtained without great expense to the society, I think it should be done; though I do not think it absolutely necessary for the business of life assurance.

1196. On the other hand, does it not appear to you that to found a new association on the footing of requiring the payment of so large a proportion of the shares would practically be impossible?—I do not think it would be impossible to raise 30.000 *l.* in such a way.

1197. Would there not be this difficulty, that the original proprietors would not advance so large a sum of money at a low rate of interest, unless they were assured the whole, or nearly the whole, of the future profits; and would not a society founded on that principle appear to the public to have less advantages than those societies that offer a larger share of the profits to the assurers, and in that way would not such a society be practically at such a disadvantage that it could not carry on its business?—Any society to be established would have to compete with existing societies, possessing greater advantages than any new society that could be formed, at the outset, could have; that is a difficulty which could not be got over; but, considering the magnitude of the interests involved in a life assurance society, where you assure hundreds of thousands, I think a capital of 30,000 *l.* is not very great, considering the number and the amount of the interests, and the precarious nature of the risk undertaken.

1198. At the same time, as it is for the public interest not unduly to limit competition,

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petition, it is very desirable that the amount required, if any should be required, should not be larger than may really be necessary; I should wish you, therefore, to inform the Committee, as deliberately as you can, what you think would be the amount that would really be necessary not to give satisfaction to every mind, but practically to secure the public from loss?—I say in our own case, we never had occasion to touch a farthing of our capital. I could not limit the amount, because it might depend very much on the extent of the transactions of the society. If you have a guarantee, say of 5 or 10 per cent., of the gross amount of assurances, that would be sufficient; but if you take the gross amount of assurances in the first year at 100,000 *l.*, the amount of guarantee capital should increase proportionably. If a guarantee capital should be required, I would be disposed to stipulate that it should be paid off at as early a period as the circumstances of the society would permit. If the society should become really prosperous, and get a good business together, so that its position, at the end of 4 or 5 years, should be such as to justify its managers in relinquishing the guarantee, let them do it, and let a certain per-centage, or a certain bonus be guaranteed to the contributors to such a fund for the risk they should sustain in the interim. I think that would be a very great improvement. Suppose you say you will give them 5 per cent. at the end of five years for the money, but *bonâ fide* allowing a fair rate of interest, 4 per cent., if you please, for the time it is at risk, and a bonus of 5 per cent. at the end of 5 years, if you are in a condition to pay them off.

1199. What amount do you think would be required for the real security of the public?—My impression is that at the commencement 10,000 *l.* would be sufficient.

1200. Mr. *Hamilton.*] Supposing the society consisted of proprietors of unquestionable solvency, in that case can there be any necessity for providing that there shall be any paid up capital?—A payment to some fund must be made to constitute them proprietors.

1201. Supposing the proprietors should be of unquestionable solvency, those proprietors having subscribed the deed, and established their responsibility in the most unquestionable manner, in that case is there a necessity for a guarantee fund, or the payment up of any instalments of the capital, except merely that it may possibly be expedient with the view to satisfy the scruples of the public?—As I understand the question, it is taking the character of the proprietors instead of their capital; I should say it would give more satisfaction to the public if they had their capital.

1202. That is, you cannot suppose the possibility of a proprietary, whose responsibility is so unquestionable as to give sufficient confidence?—No.

1203. Mr. *J. Ball.*] Do you think it very undesirable that a public department should have to decide upon the solvency and respectability of the proprietors?—Very undesirable.

1204. *Chairman.*] You have been asked a good number of questions as to the position of a young society in its competition with others; do you consider that the public who are going to assure their lives would look at it thus: "Here is an office which offers me a certain amount of guarantee against any contingency by a fund in existence; here is another office which offers me a mutual participation in any possible profit they may make in the next five years to come?" The public would have to decide whether they preferred the guarantee or the contingent profit?—Yes.

1205. Therefore while the absence of a contingent profit on the one hand would deter some persons, or be an element to deter them, the presence of a guarantee fund on the other hand would be a great inducement to prudent men to assure in that office?—Yes, to calculating and prudent men a guarantee would be a great inducement; but there are persons who are compelled to make assurances to satisfy their creditors, and that is a matter of indifference to them; their object is to do it at the cheapest possible rate; but a large proportion of assurers would take an office where there was in the end less risk.

1206. In the other case would not the creditors have the same interest?—Yes, if the creditors chose the office.

1207. Mr. *Chambers.*] Do you know any office without a guarantee fund?—I do not; but I think all ought to have some guarantee fund.

1208. But with reference to mutual societies, do you know of any mutual society without a guarantee fund?—I cannot say they have a guarantee fund.

1209. Your

1209. Yours was a proprietary company originally, and your proprietors have been paid off, and you are purely mutual?—Yes.

1210. Take any one of the other mutual offices, do you know one without a guarantee fund?—I really do not know; I am not acquainted with their condition. I believe a very small proportion, if any, is paid up in the mutual offices; I do not know whether the Equitable need any guarantee fund.

1211. I believe the New Equitable is the only office started without a guarantee capital?—I dare say you will have other evidence upon that point. The National Provident is one; I am not aware of any guarantee having been paid up in that case.

1212. *Chairman.*] By a guarantee fund what do you understand?—I understand a certain number of gentlemen of capital, who guarantee or deposit a certain sum; put it down, or invest it somewhere, for the purposes of the society, if a necessity should arise to make use of it.

1213. Mr. *Chambers.*] To be repaid to those who guarantee it, if the society has sufficient funds in hand?—Yes; I believe Mr. Brown, of the Mutual Office, will be examined; he has paid more attention to the subject, and will be able to answer these questions more satisfactorily.

1214. *Chairman.*] What rate of interest have you calculated in your valuation?—I made my last valuation at $3\frac{1}{2}$ per cent.

1215. Is that the usual rate?—That is the present rate, I think; it is a lower rate than we have realised. At my last rest I ascertained the average price of consols for the last 25 years, by taking the prices of the first and middle days of each month for the period; and I found that the average was about 92, which would pay a rate of interest exceeding $3\frac{1}{4}$ per cent.; but as we have always made more than 4 per cent. on our invested capital, I think it quite safe to reckon upon $3\frac{1}{2}$, and particularly as occasions occur every five years to compensate for any loss of interest that might be experienced in the period.

1216. What table of mortality do you use?—The table we employ is a mixed table; it is founded upon what we call Finlaison's Males, the Equitable Experience, and Carlisle Tables; it is a table that is better graduated, more mathematically symmetrical, than either of the other tables.

1217. Mr. *J. Ball.*] Do you apprehend that any considerable decrease in the rate of interest in the public funds would materially affect the stability of assurance offices?—I do not think that it would materially affect their stability.

1218. How far would that decrease the security afforded by the margin which has been allowed in the premiums?—I think in most cases the margin is sufficient to compensate it; but I stated in the early part of my examination, I find, that a difference of a half per cent. in the rate of interest would make a difference of about 5 per cent. in the valuation of its liabilities at any time.

1219. *Chairman.*] The margin is always larger than that?—The margin is large enough to cover that.

1220. Mr. *J. Ball.*] From the answer you gave before, with reference to expenditure, is the Committee to understand distinctly, that although you think that no assurance office could safely continue for any length of time to incur an expenditure equal to half its receipts from premiums, yet in the early stage of the existence of the company such an expenditure may arise, and provided there is a guarantee fund, there is nothing to be apprehended with regard to the future solvency of the society?—There is nothing to affect the solvency of the society, if there be that guarantee fund; but a loss must necessarily accrue either to the assured or shareholders, or the parties forming that guarantee fund.

1221. During the period in which that excessive expenditure continues?—Yes; I think it is immaterial on whom that loss falls; it is the same with everybody to whom loss arises. Supposing it be to those who in good faith, and from a desire to uphold a beneficial institution, shall put their money to risk, I think those people are as much entitled to protection as the parties who contribute their savings from year to year to effect assurances on their lives.

1222. Is it not incident to every description of business that a very considerable outlay is incurred in the early stages, in order to secure future profits from an extension of business?—Parties in business when they make a venture, if any profit arises, take such profit, and the loss, if any, is their own; they only involve themselves, they do not involve another. In the case of a life assurance society, very great injury may result to innocent parties by a recklessness of management.

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1223. If the excessive expenditure, during the early years, exceeds the amount of the guarantee fund, the deficiency must be made up from the premiums during the period that excessive expenditure continues?—Yes; both parties, the assured, and the contributors to the guarantee fund, suffer if the expenditure exceeds that.

1224. If it does not exceed that, it is paid back to the proprietors who incur that expenditure, who participate in the full extension of their business?—Quite so.

1225. And you see no reason for interfering, under such circumstances, with the discretion of the proprietary?—I think if the accounts are fully and faithfully made out to the parties concerned in life assurance companies, whether they be proprietors or members, it does not concern anybody else, and no interference would be required.

1226. Mr. *Hamilton.*] You consider that the security which would be afforded to the public and the proprietors themselves from the effect resulting from the accounts of the company, would be of itself sufficient?—I think so.

1227. *Chairman.*] Provided the accounts be correct?—Yes; I say relying on the truthfulness of the statements; you must give credit to some one; if not, you must have a species of assurance exciseman in the office, to see that each transaction is properly recorded, and the returns correctly made.

1228. You have told us something in relation to the way in which you make up the periodical balance-sheet; have you any observations to make with reference to the mode of auditing your accounts?—I wish to show the Committee, that where the principles of the society are properly carried out, it would be quite unnecessary to have any examination, if the auditors do their duty. With us, being a mutual society, our auditors are chosen by the members, and they are remunerated by the members. Their duty is to investigate the accounts of all the receipts and all the disbursements made by the society. Ours are made four times a year for the purpose of facilitating the business. We have endeavoured to arrange our affairs in such a way that there shall be a complete check upon every receipt of money, and also vouchers for all sums paid. The receipts of assurance companies consist in money for new premiums, as it is called, for renewal premiums, interest upon loans, and such like. With respect to the new premiums, in our office the policy is signed by three trustees and two directors. The particulars of each policy are entered in a book, which is presented with the policy, and examined by the directors who signed the policy. They are likewise taken before the auditor as representing so much premium as is stated in those policies; therefore we stand liable to the auditor to account for all our new premiums. The renewal premiums are made out, and recorded in a book, and cast; the gross amount of those receipts is checked by the directors, compared with the contents, and then cast: then we are debited with the gross amount of renewal premiums that have been received. With respect to the interest we receive, the receipts again stand booked against us. So far as the receipt goes, when the auditors come, they say, "You have received so much new premiums, so much renewal premiums; where is the money?" "There is the banker's account, here are the receipts which have not been taken up; here are the receipts for interest not taken up, or not yet paid." Then with respect to payments, they will see that every payment has been before the board, and entered in the minute-book, before the check is signed. Then it appears we have received those checks. At the audit, the auditors require vouchers for those checks. If we have made any investment we produce that investment; that is the security for that investment as a voucher. A question was asked last week as to the mode in which those securities are carried out. I would state this in order to show that it is done better by our own auditors than, I think, it could be done by a stranger. When the board of directors entertain a proposal for a loan of any kind on security, if they think it desirable, they first of all take the opinion of the solicitor as to the goodness of the security. If he thinks proper to take counsel's opinion, he does so; if he reports to the board the security is a good one, the money is advanced; it is his business to have the security made out under the advice of counsel, and he brings that and takes away a cheque for the amount. He holds the security till the next audit; at the next audit the security is produced as a voucher for the 10,000*l.* or the 50,000*l.*, or whatever it may be. There is the loan, there is the security signed by the proper parties. It goes out of

of the custody of the solicitor into the strong room at the office, the keys of which are held by the trustees of the society. In that way every security is taken into account. If we invest the money in Government securities we produce the stock receipt, and it is seen by the book how much has been invested; because if so much has been advanced there is a voucher for the amount.

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Jovis, 12° *die Maii*, 1853.

MEMBERS PRESENT.

Mr. Wilson.	Mr. Geach.
Mr. Hamilton.	Mr. John Ball.
Mr. T. Chambers.	Mr. Seymour.
Mr. Cowan.	Mr. Mullings.

JAMES WILSON, Esq., IN THE CHAIR.

Thomas Rowe Edmonds, Esq., called in; and Examined.

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1229. *Chairman.*] WHAT office are you Actuary of?—The Legal and General.

1230. What year was that established in?—In 1836.

1231. Have you any objection to state to the Committee what table of mortality you use?—The table of mortality which we use is a table which I constructed about 25 years back, and published in 1832, entitled "Mean Mortality." The mortality of that table is 20 per cent. greater than the mortality of the Carlisle table, at every age.

1232. Twenty per cent. greater all through?—Yes.

1233. Does that come near to the actual truth of the mortality now?—I believe so; with a distinction only as to the mortality of recently assured lives.

1234. Then it is your opinion that the Carlisle table is 20 per cent. too favourable?—Yes; for lives that have been long assured. The Carlisle table represents fairly the mortality of lives assured less than 10 years.

1235. At what rate of interest do you compute your premiums?—Three per cent.

1236. And what do you put as loading on these premiums?—The loading is 5 per cent. on the premiums for agency, and a further loading of one-fourth per cent. on the sum assured, making together about 12 per cent. on the premiums.

1237. Your loading is about 12 per cent. on the premiums?—Yes; 5 per cent. on the premiums, and the other part of the loading is on the sum assured; equivalent to 12 per cent. on the premiums.

1238. That loading of 12 per cent. you consider sufficient to cover commission for agencies, contingencies, and expenses?—I would say the contingencies are rather contained in the tabular premium; the premium is an ample one. I should expect that the mortality would be somewhat less than that of the table, through selection.

1239. You consider that the table of mortality that you use contains within itself a loading?—So far as the contingency for any increase of mortality is concerned.

1240. In fact, you use a table which is not strictly true?—It is true for all lives which have been assured for more than 10 years; but it represents a greater mortality than the actual mortality for lives which have been assured for less than 10 years. The loading is for expenses, and that loading is nearly all exhausted in an average assurance office; 5 per cent. is actually paid to the agents, and the other, which is 5 *s.* per annum on every 100 *l.* assured, would be just sufficient to meet the expenses of an average office; an office, we will say, doing about two millions in policies of assurance; two millions being the total amount assured.

1241. Then you consider that 12 per cent. upon your tables would be sufficient to cover all expenses and contingencies to which an ordinary office doing a fair business would be liable?—Yes; in fact, the average at all ages on this table is

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nearly the same as the average at other offices. Take an office using the Northampton tables, and an office of equal respectability using the Carlisle tables; the average of those two tables at any age would approach very nearly the tables we use.

1242. Has your attention been called at all to the very large amount of expenditure that has been apparent in some of the modern offices?—From the published statements of 25 offices, the expenditure, I observe, is 82 per cent. of the income, leaving a reserve of only 18 per cent. upon the income.

1243. Would that be a conclusive proof to your mind that those offices were in an unsatisfactory condition?—It is a proof that a large amount of loss has been sustained, inasmuch as the reserve ought at least to be 36 per cent., to meet the increase of liabilities during the period the income has been received.

1244. But is it not the case that all new offices, in the early years of their existence, show a very disproportionate expenditure in relation to their premiums, compared with what would be the case after they have been a few years in existence?—The proportionate expenditure is continually diminishing during the first five or ten years, but it never amounted to 82 per cent. in any office that has succeeded, even in the first years.

1245. Then, however much larger the proportion of expenditure in the early years may usually be, you are still of opinion, with regard to the public statements of a number of those offices, that 82 per cent. is a very large expenditure?—Yes, and must trench on the capital either of the policy-holders or the shareholders. There ought to be a reserve of 36 per cent. at least; there is a reserve actually of only 18 per cent., so that there is 18 per cent. actually lost.

1246. At what period of the office's existence ought the reserve to be 36 per cent.?—I speak only of the per-centage upon the premiums, without reference to the interest from investments.

1247. Would not the amount differ according to the age of the office?—Not materially. There would be a difference dependent on the general character of the business of an office; 42 per cent. I consider a fair reserve for offices whose business is of the first class.

1248. You consider that an office with an accumulated fund of 42 per cent. of its premiums is, generally speaking, in a sound condition?—Yes; it then retains the full value of its liabilities.

1249. It has been stated, I think, by a former witness, that from 45 to 55 per cent. ought to be in hand as a fund?—On existing policies I understand that to have been stated; I believe that statement agrees with mine.

1250. The distinction you make between the two statements is, that yours is on premiums actually received, and the other is the amount of liabilities?—One is on premiums received on existing policies; the 42 per cent. has been received on policies which have expired, as well as those in existence; the 50 per cent. is applicable to those remaining at the end of the period.

1251. Then your 42 per cent. applies to policies not then existing?—Yes, premiums received on all policies, whether existing or not at the end of the period. I am looking particularly to the early period within the first 10 or 12 years of the existence of the offices. These new offices, I think, were in force from three to four years on an average.

1252. Then is it your opinion that all new offices, not to speak of these particular offices, ought to have a certain amount of capital in the first instance to pay the extraordinary expenditure of the first few years?—I think there ought to be some kind of guarantee that they should reserve a sufficient amount equivalent to the value of the policies.

1253. Otherwise you do not consider that the office would be in a safe condition as regards its powers to meet the losses of the assured?—I do not; it is an essential point, that the office should be always in possession of the sum representing the value of all its policies.

1254. Then in proportion as competition increases between assurance offices, and therefore as the necessity of incurring a much larger expenditure in the first instance in order to force business, so the necessity for capital becomes still more urgent?—The capital will be ultimately small, compared with the value of the policies, if the business is of great magnitude. Capital is of secondary and temporary importance; if the security is to consist of capital alone, the capital required would be extravagantly great, as it ought in that case to be equal at all times to the aggregate value of the policies.

1255. My

1255. My question is this: as competition increases amongst assurance offices, and therefore the necessity of using greater efforts on the part of a new office to obtain a portion of business, or create new business, becomes greater, the early expenditure therefore is greater than for offices where the ground is less occupied, and so the necessity for a capital to meet those increased expenses becomes greater?—Yes; because the risk of a successful end to the speculation becomes greater.

1256. And the necessity for early expenditure is greater also, is it not?—It is greater in proportion to the income of the office at the beginning.

1257. Is it the case that the preliminary expenses of an assurance office, and the expenses of the early years of its existence, are much greater now than they were formerly at the establishment of the old offices?—I should say they are.

1258. From what cause does that additional expense arise?—Chiefly from increased competition.

1259. From the necessity of increased advertising?—That is one of the causes.

1260. And for increased agencies?—That is another.

1261. Have you known many assurance offices either suspend their business or sell it?—I know there have been many that have sold their business.

1262. Wound up their business?—Yes.

1263. Do you think there is much loss incurred by the public in consequence of persons declining to continue policies from a feeling of the insecurity of the offices in which they are assured?—I think that is a great source of the loss that is experienced by the public.

1264. That is a loss which may never appear, and never attract attention; because it would be done by every individual of his own choice, and therefore it would not appear before the public?—An individual sacrifices the value of the policy when he leaves an office, of either the stability or solvency of which he entertains doubts.

1265. Supposing a person wishes to leave an office, is not every office ready to pay a price for the extinction of a policy?—The chief offices will always give a good price; but I believe that many offices will allow nothing till some years after the policy has been effected.

1266. But every policy has a value in the office?—According to the office tables it has, if a proper principle of valuation be adopted.

1267. Then the only case in which a person can incur loss by relinquishing a policy must be in those cases where offices are unwilling to give anything for their policies?—There is a loss if the office refuse to give the full value of the policy; the office generally gives only two-thirds of the value.

1268. Of course, no office gives the full value for its own policies; it makes a profit in buying a policy?—Yes, but still that full value constitutes the interest of the policy-holder.

1269. When you speak of losses incurred by the public from the relinquishment of policies, you mean in cases where persons relinquish a policy, and receive nothing for it?—Yes, which is almost always the case with those offices which are forsaken from doubts of their stability and solvency.

1270. Is it not consistent with your knowledge that a number of cases of losses from that cause have occurred?—I think they are occurring every day, and have been for many years.

1271. Would it not be a very suspicious circumstance, in connexion with an assurance office, if they were not ready to pay something for their own policies?—They know they are of little value to a purchaser, so that they can dictate their own terms.

1272. It is not an universal practice, then, for offices to be ready to purchase their own policies?—Not at a fair value. It is not always that you can get them purchased at two-thirds of the value.

1273. What is considered among assurance offices a fair trade value of a policy?—Two-thirds of the value of the policy, according to the office table.

1274. That is, two-thirds of the premiums which have been paid?—No; it is generally nearly one-third of the premiums which have been paid.

1275. One-third of the entire premiums?—Yes; the trade value of the policy is generally considered to be one-third of the premiums paid.

1276. And therefore it is usual to consider that one-third of the premiums is the value which the office will give?—Yes, one-third of the premiums.

1277. Of course, no policy can be relinquished by a private individual without submitting

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submitting to a great loss?—The full value of the policy would be the loss sustained by a person who surrenders it without receiving a portion of the value from the office.

1278. The full value would be one-half of the premiums received?—Yes.

1279. And the loss in the other case would be the difference between one-third and one-half?—Yes; that is, in offices where they redeem their policies.

1280. But greater losses are incurred comparatively, because offices will not give anything for them?—Yes; at least, they will not give anything unless they have been in force five or seven years, and then they may give much less than two-thirds of the value.

1281. You think there are a great number of policies dropped in consequence of persons being dissatisfied with the guarantee the office offers?—I believe there is a very large number.

1282. Now, in valuing the assets of an office, what is your practice with regard to your own office in calculating the future premiums at any particular moment; you have told us the principle on which you base your premiums in the first instance; how do you take those assets as to future income in making a periodical valuation of your position?—The additions to the premiums are disregarded; the net premiums alone are valued.

1283. When you say net premiums, you do not mean the premiums charged to the assured, but you mean your own private net premiums according to your private calculation?—Yes, taking off the addition which I mentioned, which amounts to about 12 per cent. on the premiums.

1284. The full premiums charged to the assured you submit to a reduction of about 12 per cent.?—Yes; that will leave the net premium.

1285. Then you only take credit for the future premiums to be paid to you less by 12 per cent. than what is actually charged to the assured?—Yes.

1286. Is it your opinion that taking the full amount would obviously lead to a very inaccurate result?—Decidedly, because you cannot capitalise the excess of premiums, without also capitalising the liabilities undertaken by the office in consideration of this excess receivable.

287. For example, you mentioned there would be 5 per cent. put on for commissions?—Yes.

1288. Then if you were to value that 5 per cent. you would be taking into the valuation a sum which you are going to pay to your agents in future years?—Yes, which we should never receive. It is only about the charge for expenses that any question could arise, and that charge is actually paid by the office, or would have been if the business had not exceeded about two millions in aggregate of sums assured.

1289. Do you make periodical valuations in your offices?—Once in five years.

1290. Is that for the purpose of dividing bonuses?—Yes.

1291. Is yours a mutual office?—Partly mutual and partly proprietary: one-fifth of the profits to the proprietors, four-fifths to the assured, which is the proportion now very generally adopted. Most proprietary offices have become partially mutual.

1292. You say, in making that valuation, you deduct 12 per cent. from the gross premiums, in order to reduce them to the net premiums, which you think you are entitled to receive for the risk you run?—Yes.

1293. Could you suggest to the Committee any particular form of account that could be easily made by offices generally for the purpose of shewing accurately a periodical valuation of that kind?—I do not think there would be any difficulty in framing a proper account, comprehending a small number of heads of classification applicable to all offices.

1294. Is there any proportion which the accumulated fund in hand would bear to the whole liabilities, which of itself would be a pretty accurate test; are you aware whether we could take any given proportion of the accumulated fund in hand at the moment, in relation to the whole liability of the office, as any general and tolerably accurate test of its solvency?—The fund in hand is generally increasing with all offices for the first 30 or 40 years.

1295. But the risks are also increasing, are they not?—The risks become stationary after 15 years, or very nearly so.

1296. You mean, as one class goes off, another comes in?—Yes, so that the increase is very low after the first 15 years.

1297. When you have got 15 years of age, the new business is just about sufficient to replace the old business, and the office remains in a tolerably even condition

condition as regards its liabilities and its income?—As to income from premiums and the aggregate amount assured, the progressive increase will be very small after 15 years; but this will not be the case with the liabilities on policies and interest received from investments, both of which will continue to increase considerably for several years after.

1298. Is there any particular proportion which the net assets on hand, the accumulated fund, should bear to the whole liabilities of the office, which may be taken as a general indication of its satisfactory position?—I do not think it would be easy to state in a growing office without reference to its age, the proportion which ought to exist between its accumulated assurance fund and the value of the total sums assured; it would also be necessary to take into consideration the bonuses attached to the policies.

1299. But the bonuses would depend on the profits which would appear to have been made?—Which have been declared.

1300. But you are of opinion that what has been stated to the Committee, viz., from 45 to 55 per cent. upon the risks at any particular time on hand, would be a sufficient test of the satisfactory position of the office?—Yes; 50 per cent. of the premiums which have been received on existing policies.

1301. Do you publish an annual account as well as periodical accounts?—Not an annual account. We have published an annual account on two occasions.

1302. You publish a periodical account to the shareholders?—Yes; it gets into the hands of the public; it is the same thing as making known to the public; it is accessible to every one.

1303. You do not publish to your shareholders any annual account?—We have on one or two occasions; they formed part of the periodical accounts which have been published.

1304. You say you make up an account every five years, which you publish to your shareholders?—Yes.

1305. But do you publish any intermediate account, annually, between the five years?—Rarely; it has been done on one or two occasions.

1306. Are you of opinion that any intermediate accounts that could be published from year to year would be of value as showing the progress of the office?—I think, with relation to offices which have been long established, the accounts of a single year would give very imperfect information.

1307. Would not a periodical account of young offices for the first five years give very imperfect information?—They would require to be watched for the first few years.

1308. Would not their expenses, exceptional and accidental at first, be greater in a young office, which is incurring great expenses and accidental losses, than in an old office?—Yes. I do not think there would be any objection on the part of many old offices to publish an annual account. Those which do publish periodical accounts, would not, I think, object to an annual account, if it could be shown to be useful.

1309. But you think an annual account would not show much?—It would not show the state of things so fairly as a periodical account.

1310. You are speaking of the old offices?—Yes.

1311. Would not it show as little in the new offices?—They have no periodical accounts to refer to. I think if an office has a periodical account to refer to, it would be of little value to add thereto an annual account.

1312. When you speak of the old offices, you mean offices that are old enough to have furnished periodical accounts?—Yes.

1313. Have you any reason to think there is much dissatisfaction or apprehension in the public mind as to the safety of offices to whom they are paying periodical premiums?—I think the abandonment of assurances in many of those offices is a sign that the public are dissatisfied.

1314. Do you think it would be a matter of great advantage to the offices themselves if any plan could be fallen upon to give the public a periodical assurance, from time to time, that the whole fund equal to meet their demands remained unimpaired?—I think so.

1315. You think that would be a great encouragement to people to use assurance offices more than they do now?—I think it may be reasonably supposed that a person who would know that his property was in safe custody would be inclined to speak well of that office, and of assurance offices generally.

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1316. And to use them?—Yes, and to use their influence with others to encourage them to assure.

1317. And even to set apart a larger portion of their own means to secure the future payments?—Yes.

1318. Taking the parties assured in your office, do you think it is an absolute right which every man who has his life assured has, to be satisfied from time to time, in every possible way, that the fund to which he is contributing is in a perfect state and unimpaired, so as to meet the demands to which he is contributing?—It appears to me that the sum representing the value of the policy to which he is entitled is his own property, he being the beneficial owner of it, and the assurance company being a trustee for the safe custody of that property. Without that fund, of which his policy value forms part, an assurance company could not pay him his claim when it became due.

1319. You think the party assuring is the principal, and the office is the trustee?—Yes, with regard to the assurance fund, which represents the aggregate value of existing policies.

1320. And you think that the principal has every right to be satisfied in every possible way that the trustee is performing his duty, inasmuch as the estate will satisfy the objects of the trust in the long run?—I should say so.

1321. If we are told that an interference on the part of the law which regulates trusts, and which takes on itself to protect persons who have not always power to protect themselves, as in the case of infants, would be an interference with trade; would it be an interference with trade as usually understood, were the Legislature to propose such regulations as they thought would give to assurers the full means of judging of the condition of the fund in which they were beneficially interested?—In my opinion such interference would not be a fettering of trade, but the reverse; in any other trade the creditors can call upon the company to prove its solvency; it would be for the advantage of honest traders if similar power were extended to the creditors of assurance companies. I should say it would be for the benefit of the office also that that right of inquiry should be regulated by the Government, so that the office should not be troubled by too many applications by parties interested, to prove the possession by the company of the requisite fund in hand to meet their claims.

1322. Does it not very often happen that other persons than those who select the office, and pay the premiums, are interested in the ultimate fund assured?—Yes.

1323. I mean that parties other than the party who selects the office, and pays the premium, is interested in the ultimate payment of the money assured?—Yes, in the case of trustees and so on.

1324. In the case of securities for debts, in the case of children, and in every case in which the objects are to be carried out after the party's death?—In general the interest of the party assured, and that of the party to receive, are identical; I know there are cases, such as the question supposes, where the party effecting the assurance is indifferent to the ultimate result, but I think that is an exception.

1325. Does it sometimes happen that a life assurance is provided for out of an absolute fund, such as the rents of an entailed estate, which are in themselves quite sufficient for the payment of the premiums, and that the sum assured is to be applied to purposes in which the assurer himself in the meantime is very slightly or remotely interested?—I am not aware of many instances of that kind. With respect to assurances to secure loans, expected to be repaid at an early period, which are very common, the party is indifferent as to the ultimate fate of the policy.

1326. Take the case of an entailed estate: Suppose a party buys a property, and all the security is an entailed estate, is it not constantly the practice that he assures his life as a security for a loan, and that the rents of the entailed estate are settled or secured to a sufficient amount for the payment of the premiums during his life?—Where there is a loan, then the party advancing the money is the person interested in the ultimate payment.

1327. The creditor?—Yes.

1328. That is, not the party assuring his life?—The party whose life is assured is indifferent to it.

1329. So that the office then stands somewhat in the relation of a trustee between the person whose life is assured, and the person who is benefically interested?—That is one of the common sorts of assurance.

1330. The

1330. The party who is ultimately beneficially interested may be under age, or in fact, may be unborn, at the time of assurance, as the money may be bequeathed to, or settled on, the child or children of a marriage subsequently to take place: the office, in that case, is in the position of a trustee for the parties who may ultimately be beneficially interested, and who may be infants or unborn at the time?—Yes.

1331. Would that, in your estimation, be the same kind of interference on the part of the Legislature; that is to say, taking care that trusts of this nature should be faithfully fulfilled, and that there should be the full means of fulfilling such trusts, or be at all analogous to the ordinary interference with trade, viz., buying and selling, where people can use their own discretion from day to day, or from time to time?—By no means; the party effecting such a policy is required to make the annual payments, and he has a right to know that for the annual payments which he must hereafter make, he has a prospect of ultimately receiving the sum assured, and the company cannot pay him unless they have the value of the policy in hand at the time of inquiry.

1332. And the person who may be beneficially interested ultimately in the receipt of the money may have no power or control whatever over the office, or even over the payment of the premiums, or the selection of the office at the time?—No; none after the assurance is effected.

1333. Do you think that offices generally could furnish such an account as would give a satisfactory statement of that kind, without any undue or improper interference with their affairs?—I think so. I think any statement that may be made should be accompanied by a statement of the principle on which the valuations are made; I think an account, without such a statement, would be of very little value.

1334. Such a statement, that any person assured, who might not be able to understand the statement himself, could, by submitting it to another actuary, be easily satisfied whether it was a satisfactory statement or not?—Yes; such a statement would be understood by actuaries, and explained by them to the public.

1335. Or to private individuals, who might be interested in having it explained?—Yes; so that the public would soon know the true state of things.

1336. Do you think there would be any difficulty in making such a statement?—I think not.

1337. Have you ever attempted to form such an account, viz., an account of a simple nature, which you think would be sufficient for that purpose?—I have given a little attention to it; I should not like to submit any form at present.

1338. You think such an account might easily be framed?—I have no doubt of it.

1339. I think I understand you to say, an account of an uniform character?—Yes, of an uniform character, so as to be applied to all assurance offices.

1340. And that it would not involve any material difficulty with the offices to keep their accounts in a proper shape to allow of that uniform form of account?—My impression at present is so.

1341. Would you propose that each office should use the same table in making such an account, or that they should use their own tables for the valuations?—I would have each office make its valuations according to the tables already existing, explaining the principle of those tables.

1342. That would not be an uniform account?—No.

1343. I understand you would allow every office to make its periodical valuation on its own principle?—Yes, as it is done at present.

1344. Only you would require that they should state the principle on which they do make it?—Yes.

1345. So that any ordinary actuary might be able to give an explanation to a private individual who is interested in it, working it out in his own way as to the position of the office?—Exactly. It might be accompanied by a statement of a valuation which would result from any other principles which might be recommended by the Government.

1346. Would you place any confidence in any return of the condition of an office without knowing the principle on which the valuation had been made?—I should not; because there are various modes of stating accounts which produce results very different, although the materials are the same.

1347. You mean an account may be made out to show a very large profit, or perhaps a loss with the same materials?—Yes, with the same materials; for instance,

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instance, if variations be made in the table of mortality, the rate of interest of money, or the allowance for expenses.

1348. What would you propose with reference to stating the assets of the office in such an account; I mean the mode in which their capital is invested?—I would have the investments classified under, say, half-a-dozen different heads; so much in cash, so much in Government securities, so much on mortgages; perhaps so much on mortgages yielding 3½ per cent., so much on mortgages yielding 4 per cent., so much on life interests, so much on loans on policies.

1349. You think a classification of that kind might be made that would give a useful statement as to the mode in which the capital is engaged?—Yes.

1350. Is it consistent with your knowledge, that much loss has been incurred by insufficiency of mortgages?—I am not aware of any considerable losses sustained; generally when the rates of interest are high, the losses are in proportion, so that the rate of interest received is nearly constant with all offices.

1351. So that if you have a list of the assets of an office, and see a high rate of interest, do you infer that the risk of the investments will correspond with the rate of interest?—Yes; that it is proportionately greater.

1352. I suppose it is not uncommon, where a man wants to borrow money on any given security, that he will try several offices, and failing to get it at one rate, he will give another if he requires the advance?—Yes; that is commonly done.

1353. And therefore the rate of interest paid would not be a bad test of the value and safety of the security?—Just so; the rate of interest, I imagine, would not be found to exceed by more than a half per cent. the rate which Government securities yield. If the Government securities yield 3 per cent., it may be expected generally that the interest of assurance offices from good investments, would be 3½ per cent.

1354. The average rate?—Yes.

1355. Do not assurance offices hold a good number of Exchequer Bills sometimes?—Only as a balance, where they expect to have claims to pay, which they must make provision for.

1356. They are kept as a cash balance to meet immediate claims?—Yes; or in order to provide for loans of large amount which they have agreed to make.

1357. Do you expect that the new Exchequer Bonds are likely to be a favourite investment with assurance offices?—I am afraid not; they will be payable at too remote a period.

1358. Will they not be saleable, like any other stock in the market?—Yes, but they will be liable to depreciation.

1359. You would look upon them more in the light of Consols than Exchequer Bills?—Yes; if they were current for short periods, they would be a more useful investment.

1360. You would not use them for cash purposes?—No, you would never know what they would represent when they were paid away.

1361. That is, when you wanted to realise them?—Yes.

1362. You would know what they would represent when paid, if payable at par?—If you wanted to realise in the intermediate periods you would not know.

1363. You would not know what they would be worth when you required to realise them?—Just so; but if they were payable at intervals of 5, 10, or 15 years, they would be more useful as security.

1364. You think they would be much more current if they were payable at the choice of the holder at those various periods?—Yes.

1365. Or, if they were convertible into stock at par, at those various periods?—Yes, something to that effect would render them more negotiable.

1366. Mr. *Geach.*] Making Exchequer Bonds convertible into stock at par, would not improve the security?—No, unless you could sell the stock at par.

1367. The stock would be equally liable to depreciation?—Yes.

1368. *Chairman.*] Can you suggest to the Committee any change in the internal management of assurance offices, which might be insisted upon as the practice which would improve the present system?—No; I know of none. I think the internal arrangements of most offices are complete; they require no amendment.

1369. Could you suggest any greater safety in the manner in which the audits of offices take place?—I think the facts are elicited. I think there is no suspicion entertained in any respectable office of the correctness of the accounts rendered.

1370. Could

1370. Could you suggest to the Committee any mode by which the general accuracy of those accounts might be attested to the public?—Not in a different way from what they are now. The only mode of making them accurate would be to impose a penalty on any incorrect or fraudulent account.

1371. What means have you of discovering any inaccuracy or fraud?—If there was a fraud committed it would be known to a great number, and out of that number to whom it would be known, it is very likely the truth would transpire.

1372. Must it necessarily be known to a great number?—It would generally be known to the directors, auditors, actuary, and clerks.

1373. Does that follow? Would it not be possible for an actuary or manager of an office to have his accounts calculated in such a way as not to show the real character and result of those accounts?—The actuary renders the account to the directors, and that account is subject to examination. I believe the actuary conceals nothing from the directors.

1374. Suppose they had lent a very large sum of money upon bad security, which might be called a mortgage, but the value of the property, to the knowledge of the immediate manager of the office, had very much fallen off, and never could have been worth the amount they had embarked upon it; could a fraud of that kind not be very easily perpetrated without its being known?—If there was a defect of that kind, and the security yielded no interest, that would appear in the account of the receipts.

1375. Would you consider it necessary, in a statement of assets generally, to state what interest had been received?—If the rate of interest is less than it ought to be if all the securities yielded profitable interest, there would be ground for suspecting that some of the securities were insufficient.

1376. You mean, if the aggregate interest received by the office from the assured for the year be less than it ought to be upon the aggregate of the investments, it would afford a presumption that some of the investments were bad, and yielded no interest?—Yes; and that fact would be proved, and reveal the precise state of things.

1377. Do you think that any actuary, or public officer appointed by the Government, not to assist, but to examine the accounts in company with the auditor of the office, and generally to receive such explanations as he thought proper to make on the condition of the office, would be a guarantee to the public?—Would that officer come in as an auditor or an actuary?

1378. Suppose he was a professional actuary, but was to act as an auditor?—As an actuary, I think he would be of no use; because the actuary of the office could render the account in any form the Government should demand; all that would be required, would be that the principle should be stated on which the valuation was to be made.

1379. Would not such a public officer be able to judge generally, without descending to any nice calculations, whether the groundwork of the calculations which the office had made was such as to make it safe for the account to be received in that state?—He would not be able to judge better than many others of the public, unless instructed by the actuary.

1380. Suppose a public officer of that kind were to go to an office, and he were to find a case where the actuary had taken credit for the gross amount of premiums in future, would he not be able at once to see that that was the case?—The officers might be required in their periodical accounts to state whether or not they had taken credit for the gross amount of premiums.

1381. Suppose an office were to state that falsely?—That might be remedied by a penalty for giving a false return.

1382. I want to know how would you arrive at the fact that it is a false return?—The fact of its being false would be known to so many individuals, that it would be impossible to keep it secret.

1383. There are only eight or ten persons in an office, and they would be all equally interested in keeping the secret?—I think there are very few things of moment which happen in one assurance office that are not more or less known to other assurance offices; what happens in one is certain to ooze out.

1384. Then as the actuary of a large assurance company, are you sufficiently cognisant of all that happens in other assurance companies to look at those imperfect accounts which are now published, and say whether they represent the true state of the office, or not?—If they were coupled with a statement of the principle on which the accounts were rendered, and there was a penalty for making a false

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a false return, I think that would be sufficient; the individuals connected with the office would reveal what was the true state of things as a secret, and it would gradually become known to the public that something was wrong.

1385. Would it be any interference with the business of the office, if a public officer were to go into the office and look at the periodical accounts, and say, "I want to know how you have computed these premiums, show me the gross amount of policies which you have now existing;" would he not at once be able to say whether they have computed those premiums at the gross amount which they represented, or with a sufficient deduction to make for a safe calculation for the public?—Yes; I do not think a public officer would have any right of interference until there was ground to suspect fraud; it would be interfering unjustly with private traders' affairs.

1386. Would there be any difficulty for him to do that?—I think not; but I think the interference would be unwarranted by any expectations of advantage to the public.

1387. Would there be any interference with the business of the office, or any inconvenient interference with the business of the office, considering that a great object is to be obtained?—Yes; I think so.

1388. You have stated that in general it is very much to the interest of the offices themselves that the public should have every satisfaction on the safety of the offices, and the truth of their returns as stated on the accounts?—Yes.

1389. Do you think, looking at the great advantage that it would be to the offices, it would be any hardship for them to show in what way they had computed their premiums?—They are ready to declare the mode in which they have computed the premiums; it is only when that declaration is suspected to be false that Government has any right of interference.

1390. But you must be aware that there have been many public companies, and public companies of the highest respectability, with a body of directors of the very highest eminence, the audit of whose accounts have declared they were solvent, and they have suspended payment in the next week?—They did not state the principle upon which they audited the accounts; they merely stated that they had audited the account and it was correct, and it was correct on their mode of stating it; the principle of the account was left in obscurity; if they had stated their principle the fault would have been found.

1391. Do you think it would answer all purposes, for which you think the public mind ought to be satisfied, if every office were left just to make its own return, and simply state the principle on which that return was made?—I think so; after it had been shown that many offices had made incorrect returns, it would be time for the Government to interfere by a general regulation for inspection.

1392. Would you propose that the return should be verified in any way by an actuary, or an auditor, or any number of directors?—I think it would be sufficient that it should be signed by some person on behalf of the directors; the accounts are rendered to the directors, and they are chiefly the responsible party.

1393. Would you think it necessary to impose on the directors the further responsibility of signing the return, in order that they might be more responsible for the accuracy of the account?—For form sake it might be; as long as it was authenticated by any signature duly authorised it would be sufficient.

1394. Suppose any ground of suspicion were to arise, what would you do?—I think inquiry might then be made by two actuaries appointed by the parties bringing the charge of suspicion against the account rendered.

1395. But on the application of whom would you think such an inquiry became necessary?—The parties injured would be the policy holders.

1396. Would you propose that any policy holder should have a right to apply to the Government that an inspection should take place into the condition of the office?—A greater number than one; perhaps ten policy holders.

1397. You think no interference ought to take place except upon the application of the policy holders?—I think that would be a good general rule.

1398. Then you do not think that some uniform principle which would imply no suspicion or loss of character to the office, but which would give the public the same satisfaction, would be so good as the one which you propose?—That is my opinion.

1399. Do you not think it would be extremely damaging to the office, supposing eight or ten of their assurers were to go to the Board of Trade or the Treasury, and say, "We suspect the condition of that office, and we call upon you

to appoint your official auditors to inspect the condition of the office?"—It would be so until the inquiry had been made; if the result of the inquiry be confirmatory of the account rendered, the office would be in a better state than many other offices.

1400. Do you think, supposing the inquiry was so far satisfactory that the public officer might report that there was no real ground for danger, any damage that had been done to that office would be thereby repaired?—I think there would not be much evil either way; I think the damage would not be great.

1401. But are you not of opinion that it would be better to have some uniform plan which would not necessarily involve any suspicion, but being uniformly applied to all offices alike would have the same end without exciting suspicion at all?—It would not follow that the public would be made acquainted with the inquiry in either case, so that the damage in effect would not be considerable either way.

1402. What I want to call your attention to is this: that in the one case any interference, to whatever extent it might be, which you suppose to be necessary, would be uniform and applicable to all offices, and therefore would excite no suspicion with regard to any, while it would give a sufficient guarantee or satisfaction to the public; and that in the other case it would involve a case of great suspicion, before persons connected with the office would apply to a public department to examine into the state of that particular office?—It would be a choice of evils; certainly it would be very disagreeable to any office to have a commissioner or inspector liable to be called in at any moment.

1403. What table of mortality would you recommend, if the Government wished to make out a model table?—I have no other table to suggest than the one which I have already mentioned, which was constructed by me more than 20 years ago, under the name of "Mean Mortality." This table I then believed, and still believe, to represent more correctly than any other table the mortality of assured lives.

1404. That is a medium table between the Carlisle and Northampton Tables?—Yes; one which I thought would obviate the chief causes of complaint against each of those tables.

1405. What would you consider the chief complaint against the Northampton table?—That the mortality therein stated at ages under 55 years is much greater than the mortality experienced in assured lives.

1406. And what do you consider the fault of the Carlisle Table?—That the mortality is underrated at all ages, provided the lives have been long assured.

1407. Is it consistent with your experience that the value of life is improving at all in this country?—On the contrary, the value of life has been diminishing from the year 1816 to the present time. All the mortality registers show that an increase has been going on from 1816 to the present time.

1408. And there is an increase of mortality going on still?—Yes; but that increase has hitherto been confined to lives below the age of 20.

1409. Ages not generally assured?—No; but the increase may be found hereafter to extend to ages above 20. The increase in 20 years, according to the mortality observations which have been made, is 50 per cent. upon lives under 10 years of age.

1410. Is the proportion of deaths to births greater than it was prior to 1816, or only the proportion of deaths to the whole population?—The proportion of deaths to the whole population is increasing, the proportion of births is very nearly stationary.

1411. But the proportion of deaths to births also is increasing?—The proportion of deaths to births also is increasing.

1412. Then as regards the prospects of assurance offices, instead of improving, the offices will be rather getting into a worse condition, as far as the proportion deaths?—If the increase of mortality extends to ages above 20, which will be decided in a few years; and if also the mortality of assured lives resembles the mortality of the general population.

1413. I suppose you have very few lives assured under 20?—Very few; we have very few under 25.

1414. The great bulk are from 25 upwards?—Yes.

1415. Then the lives in which the assurance offices are generally interested are upwards of 25?—Yes.

1416. Has there ever been any computation made as to the effect of an increased

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mortality with a higher rate of interest at the same time?—That would absorb the fund for contingencies.

1417. Has that been a question at all considered by actuaries?—There would be an insufficient reserve if there was any considerable increase in the mortality or reduction in the rate of interest.

1418. At present the thing has not taken place, and it has not become a practical question?—No; there is a possibility of the mortality increasing with assured lives, as it is increasing with the younger lives of the general population. The observations of the Equitable show that there is apparently some connexion between the mortality of assured lives and the mortality of the general population; for the table deduced from the Equitable and Amicable experience combined, including the five years of membership, represents very nearly the observed mortality of the total male population of England, in seven years from 1838 to 1844 inclusive.

1419. How was the mortality of the male population, say above 20 years of age, before 1816, viz. for 20 years during the war as compared with 20 years since?—We have no exact information of the mortality of the English population according to age previous to the year 1813. We have only two observations according to age on the English population, one for a period of 18 years, from 1813 to 1830, the other for a period of seven, from 1838 to 1844.

1420. And you are unable to make any comparison of a period during the war and a subsequent period?—We know the mortality of the total population, but have no knowledge as to the mortality of the population distributed into ages previous to the year 1813. The mortality of the total population was decreasing during the 80 years preceding the termination of the war; that is, until the year 1815.

1421. You have no means of comparison with the adult population?—No, not as separated from the mortality of children.

1422. You have spoken of the selection of lives; has that a great influence on the condition of an office?—Very much so. The Equitable and the Amicable are the only two offices which have published their experiences in a form which yields exact information as to the value of selection. In each of those offices, at the same age, the mortality varies 50 per cent. The mortality at the same age of lives which have been anciently assured, is 50 per cent. greater than the mortality of lives which have been recently assured.

1423. That is, upon an accurate comparison upon several points?—From a general comparison upon all points. I will submit a paper in which that is elicited.

[*The same is delivered in, as follows:*]

TABLE showing the MORTALITY, according to Age and duration of Membership, experienced in the "Equitable" and "Amicable" Assurance Societies, compared with the "Carlisle" Table of Mortality at Ages two and three Years older respectively. The numbers in the Table represent the Deaths in intervals of five Years of Age, out of 100 alive at the commencement of such intervals.

Quinquennial Interval of Age.	"EQUITABLE."—66 Years to 1 January 1829.					Carlisle Table Two Years older.
	Membership under 5 Years.	Membership from 5 to 15 Years.	Membership above 15 Years.	TOTAL.	Membership above 5 Years.	
20 to 25	3·33	- -	- -	3·63	- -	3·76
25 „ 30	3·50	- -	- -	3·64	- -	4·35
30 „ 35	3·21	4·67	- -	3·79	4·66	5·02
35 „ 40	5·04	5·39	- -	5·23	5·50	5·79
40 „ 45	4·65	5.86	7·77	5·62	6·17	6·68
45 „ 50	5·67	6·59	8.32	6·72	7·13	7·70
50 „ 55	8·98	8·99	10·53	9·48	9·62	9·04
55 „ 60	10·30	11·99	13·53	12·32	12·77	12·52
60 „ 65	11·59	15·78	18·34	16·52	17·32	17·82
65 „ 70	19·98	23·89	25·61	24·55	25·01	25·03
70 „ 75	- -	31·56	34·41	33·76	33·76	34·47
75 „ 80	- -	47·33	45·44	45·61	45·61	46·21
80 „ 85	- -	- -	52·85	52·85	52·85	59·74
85 „ 90	- -	- -	68·58	68·58	68·58	73·68
Deaths observed - -	984	1,862	2,263	5,109	4,086	- -

TABLE showing the Mortality according to Age and duration of Membership—*continued.*

Quinquennial Interval of Age.	"AMICABLE"—33 Years to 5 April 1841.					Carlisle Table
	Membership under 5 Years.	Membership above 5 Years.	Members before Year 1808.	TOTAL.	Membership above 5 Years.	Three Years older.
20 to 25	- - Numbers insufficient.			- -	- -	3·87
25 „ 30	- -	- -	- -	-	- -	4·47
30 „ 35	3·65	- -	- -	3·32	- -	5·17
35 „ 40	4·83	(3·62)	- -	4·21	- -	5·96
40 „ 45	4·07	6·27	- -	5·66	6·70	6·88
45 „ 50	4·36	7·80	8·14	6·86	7·85	7·92
50 „ 55	5·43	8·98	12·76	9·04	10·09	9·53
55 „ 60	8·52	13·46	13·17	12 58	13·38	13·45
60 „ 65	13·88	18·17	22·30	19·78	20·50	19·10
65 „ 70	14·25	25·97	26·00	25·12	25·99	26·73
70 „ 75	- -	34·14	38·15	37·01	37·14	36·64
75 „ 80	- -	48·29	48·14	48·51	48·32	48·80
80 „ 85	- -	51.74	66·18	64·31	64·31	62·56
85 „ 90	- -	- -	73·10	74·93	74·93	76·34
Deaths observed -	165	625	978	1,768	1,580	—

TABLE showing the combined Experience of the "EQUITABLE" and "AMICABLE" ASSURANCE SOCIETIES among all their Members of more than Five Years' standing. With which is compared a Theoretical Table, whereof the Mortality under the age of 52 years increases uniformly, at the rate of 3 per cent. (·02991) per annum, and the Mortality above that Age, at the rate of 8 per cent. (·07969) per Annum.

Between Ages -	30–35.	35–40.	40–45.	45–50.	50–55.	55–60.	60–65.	65–70.	70–75.	75–80.	80–85.	85–90.
Observed Facts -	4·91	5·73	6·44	7·49	9·85	13·08	18·93	25·50	35·47	46·98	58·98	71·93
Theoretical Table(*a*)	4·93	5·69	6·57	7·57	9·10	12·87	18·30	25·66	35·28	47·18	60·80	74·69

EXAMPLE FROM THE ABOVE TABLE.

Out of 100 living, aged exactly 40 years, there will die, according to the Theoretical Table, in the next five years, or before the attainment of the age of 45 years, the number 6·57. According to the Oberved Facts there died, in the same interval of age, out of 100 alive at the beginning of the interval, the number 6·44.

(*a*) This theoretical Table is the same as that hereafter referred to as representing the mortality of the total male population of England at ages above 25 years.

1424. Does not that suggest a very great doubt as to the value of any calculation?—There is no table of mortality that can be strictly applicable to assurance offices with regard to age alone; it must regard also the time for which a person has been a member. This is a paper which contains the recorded experience of the Equitable and the Amicable, divided into periods of five years in age, and periods of not less than five years in duration of membership. It will be seen that in the Equitable, between the ages of 40 and 45, the mortality among those who have been members less than five years is 465 out of 10,000; among those who have been members for more than 15 years, 777 die out of 10,000 in five years, being a difference of full 50 per cent. The figures which follow at succeeding ages are nearly the same, and such is the case in the Amicable.

1425. What is the general result?—That the mortality increases rapidly, not with the age only, as every one agrees, but with the time of membership.

1426. Have you any general means of accounting for this result?—That the lives that enter into an office are better than the average by selection, that is, through medical examination, and the certificates that are required to be lodged of the party being in good health. That is the cause, or something of the kind. Assured lives represent a better class of lives than the average, and that superiority is probably greatest in the first few years, and it gradually diminishes. From the Equitable and Amicable experiences, excluding the first five years of membership, the result of the total observations on assured lives agrees closely with the last observations of the Registrar-general on the total male population of England, viz., for the seven years ending in 1844.

1427. The more carefully the lives are selected at the early periods, the greater must

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must be the mortality at the later periods?—Relatively to the first; but the table alluded to as applicable to the English male population is a correct representation of the facts observed at the Equitable and Amicable, excluding only the first five years of membership.

1428. But in every assurance office a very large element of its safety must depend on the way in which the lives have been selected?—Yes, undoubtedly; and the value of that selection is always diminishing, and is of very little value in the case of policies which have endured more than 10 years; they become then average lives, their mortality being very nearly the mortality of male lives among the general population at the same ages.

1429. And at certain ages it may become considerably more?—That is what one might expect, but I do not find that they exceed the average,

1430. Never?—No; not at ages exceeding 60 years.

1431. They are less at the early periods, and never exceed the average?—They conform to the Carlisle Tables in the first 10 years of membership; then they pass to a higher rate of mortality; after a certain time, when the age attained exceeds 60 years, they do not appear to go beyond that table already referred to, which represents also the mortality of the general population.

1432. But the general population includes infants?—Yes; I mean the general population of the same ages.

1433. Do they become as bad as the average?—Yes; that average being the same as the mortality exhibited for male lives in the Registrar-general's observations for the seven years ending in 1844. I have also a table showing the coincidence between those observations and the combined experience of the Equitable and Amicable Assurance offices.

[*The same is handed in, as follows:*]

TABLE, showing the ANNUAL MORTALITY per cent., according to Age, of the Female Populations of *England* and *Sweden*, observed at four different Periods. Also exhibiting for comparison the results of Dr. Heysham's Carlisle observation, and the results of two Theoretical Tables deduced from a uniform law of Mortality.

Between Ages.	ENGLAND—Females.		SWEDEN—Females.		CARLISLE: Both Sexes. 9 Years,	Theoretical Tables, wherein the Mortality varies uniformly in each of Three Periods of Life.	
	18 Years, 1813–1830.	7 Years, 1838–1844.	41 Years, 1755–1795.	30 Years, 1811–1840.	1779–1787.	Village.*	Mean.
0 to 5	4·22	6·04	8·28	6·27	8·23	5·54	6.70
5 „ 10	·61	·90	1·34	·78	1·02	·82	·99
10 „ 15	·48	·55	·66	·49	·54	·54	·65
15 „ 20	·70	·79	·65	·53	·64	·62	·75
20 „ 30	·95	·94	·83	·73	·75	·78	·93
30 „ 40	1·14	1·13	1·15	1·06	1·06	1·05	1·25
40 „ 50	1·37	1·32	1·54	1·42	1·43	1·40	1·68
50 „ 60	1·98	1·98	2·25	2·30	1·83	2·01	2·40
60 „ 70	3·78	3·79	4·58	4·72	4·12	4·05	4·83
70 „ 80	8·88	8·42	10·17	10·54	8·30	8·46	10·04
80 „ 90	19·67	18·32	19·99	23·01	17·56	17·16	20·18
Above 90	34·09	34·58	37·28	39·72	28·44	33·45	39·85
All Ages.	1·90 †	2·10 †	2·67	2·28	2 50	—	—

* This theoretical "Village" Table is identical with the Table known as the "Carlisle." It represents the observed facts at Carlisle as nearly as any other Table, with exception only of a deviation designedly made at ages below nine years.

† Average annual increase of the mortality of the population of England about one-half per cent.

TABLE

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TABLE showing the ANNUAL MORTALITY per cent., according to age, of the Male and Female Population of *England*; of *Cheshire* and *Lancashire*, and of 12 of the healthiest large Towns of *England*, during the seven years, 1838–1844. Also exhibiting, for comparison, the Mortalities, at corresponding ages, deduced from three Theoretical Tables.

Between Ages.	MALES.			Theoretical Tables, wherein the Mortality varies uniformly in each of three Periods of Life.			FEMALES.		
	Cheshire and Lancashire.	Twelve healthiest large Towns.	All England.	Mean, varied: Limits changed to 8½ and 52 years.	Mean: Limits at 8 and 55 Years of Age.	Village; Limits 8 and 55 Years of Age.	All England.	Twelve healthiest large Towns.	Cheshire and Lancashire.
0 to 5	9·79	8·46	7·07	7·09	*6·70	5·54	6·04	7·21	8·46
5 „ 10	1·14	1·14	·93	1·00	·99	·82	·90	1·06	1·09
10 „ 15	·60	·50	·50	·57	·65	·54	·55	·53	·61
15 „ 25	·93	·86	·80	·70	·81	·67	·83	·70	·95
25 „ 35	1·04	1·08	·97	·94†	1·08	·90	1·01	·89	1·16
35 „ 45	1·42	1·43	1·25	1·26	1·45	1·21	1·24	1·25	1·52
45 „ 55	2·12	2·06	1·78	1·73	1·95	1·62	1·55	1·61	1·95
55 „ 65	3·71	3·55	3·14	3·33	3·33	2·78	2·78	2·71	3·39
65 „ 75	7·92	7·06	6·61	6·99	6·99	5·87	5·89	6·19	7·16
75 „ 85	16·26	15·58	14·39	14·31	14·31	12·11	13·20	13·50	14 91
85 „ 95	31·07	—	29·65	28·17	28·17	24·06	27·55	—	28·58
All Ages.	2·72	2·57	2·27	—	—	—	2·10	2·15	2·51

*This is the Table referred to in answer to Questions, Nos. 1231 and 1403.

†This theoretical Table is a correct representation of the combined experience of the "Equitable" and "Amicable" Assurance Societies, excluding only the five first years of membership.

1434. Have you any well-recorded example of unusual longevity of classes?—The class in which the longevity is greatest is the agricultural population; that is generally represented by the Carlisle Table.

1435. Does the Carlisle Table represent the agricultural population pretty accurately?—Yes, that is a correct representation of the best part of the population. The Carlisle Table is also a close representation of the vitality of the total female population as last observed in England.

1436. Have you any table of the longevity of the particular classes of society?—Not in general; my impression is, that the agricultural population is the only one in very favourable circumstances, representing those that work out of doors in rather hard labour.

1437. Mr. *Chambers.*] You said something about the abandonment of their policies by policy-holders as an indication of want of confidence in the office; do you know that that has been done to any extent?—I have known many inquiries previous to the abandonment of policies.

1438. Single instances which have come under your observation?—Single instances indicative of a widely-extended want of confidence; persons asking whether it would be safe to continue a policy in a particular office.

1439. When was that?—Not with reference specially to offices recently established.

1440. With reference to old offices?—To offices in general; there is a certain proportion of offices which are a little worse than others. Out of the total, a third part perhaps of the offices may be rather suspected. In those offices the abandonment of policies is very considerable, and the profit to those offices proportionally great; the greater the abandonment, the greater the profit.

1441. *Chairman.*] The greater the abandonment, the greater the security for those that remain?—If the funds are insufficient to meet the demands of all the claimants, the departure of a portion of the claimants will diminish the deficiency, but the office offers no guarantee against the recurrence of the original amount of deficiency.

1442. Mr. *Chambers.*] Do I understand you to say, with regard to one-third of the

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the existing assurance offices in London, there is a feeling of want of confidence?—Something like it.

1443. A growing want of confidence?—It is merely looking at the policies; there is a very different scale of value for policies of the same amount in different offices; they will fetch very different prices in the market.

1444. A different scale of premiums?—A difference in the value of policies for the same amount assured at the same time upon the same life in different offices. Some will not get a purchaser.

1445. Are there many offices in existence unwilling to purchase their own policies after five years?—After five years, I believe, they will purchase; whether they will purchase at an adequate value is doubtful.

1446. What is the largest price that an office can give?—The chief offices will give two-thirds of the actual value.

1447. What proportion is that of the premiums received?—About one-third.

1448. Sometimes two-fifths?—Not so much, within my knowledge of the practice of the principal offices.

1449. Do you know of any instance of a life assurance office failing to keep its engagements with its policy-holders?—As long as there is a sufficient sacrifice of policies that is not likely to occur.

1450. Do you know any instance in which a life assurance office has failed, in point of fact, to keep its engagements with its agents?—It is almost worse than failing, because if they failed after the manner of ordinary traders they would divide something amongst the policy-holders; here is a sacrifice of the entire policy.

1451. Surely that is a voluntary act on the part of the policy-holder, for whose want of faith the society is not answerable?—Faith is not voluntary.

1452. Are you really of opinion, upon the ground of any knowledge of the facts, that one-third of the assurance offices in England are undeserving of the confidence of the parties assured in them?—They do not possess the same credit as others; there is a variety of credits in assurance offices, as there is among merchants.

1453. And you really believe that one-third of the offices in England are at this moment in a condition not to meet the liabilities which they have incurred?—I might say I thought so, with truth; I do not mean to say they would not meet a portion of their liabilities; if they retained a sufficient balance to meet three-fifths of their liabilities, they might consider that a state of solvency, but the parties assured would not consider so.

1454. If you were asked to define a state of solvency, what language should you use?—Possessing a fund in realised property, equal in value to all their policies at that time in existence. If they do not possess that, there is a degree more or less of insolvency.

1455. That is a possible insolvency?—A certain insolvency at that moment.

1456. Supposing they were to wind up at that moment?—Yes.

1457. Taking that definition, have you, from an actual knowledge of the existence of these assurance institutions to which you have been alluding, power to say that they are in that state?—I think it is highly probable, from the amount of profit divided by many offices. I think the amount of profit is not warranted by the amount of business, and that they can only obtain that profit by trenching on the capital, that is, the values of the policies.

1458. Then, when you say you consider them in a state of insolvency, you mean you consider them not in a condition to pay the sum originally assured, with all the nominal bonuses which they have added to the sum?—I mean that the claims which the policy holders have against them are not fairly balanced: the sums they have in hand, together with the net premiums receivable from the policy holders, are not sufficient to make up the claims which the policy holders have against the society.

1459. Are you aware whether that opinion is shared by any other actuaries?—It is more the public opinion than my own. If the policies of different offices bear a different value in the market, it is a sign of different degrees of confidence in the public.

1460. Will you favour the Committee with an illustration of the different prices which policies would fetch in the market?—The price is a good deal regulated by the price which the office itself will give for that policy. You find generally,

generally, that offices which are most highly trusted by the public give a higher value for their policies than those in which the public repose inferior confidence.

1461. Should you estimate the trust which the public repose in an office by the amount of business it is doing now?—I should say, that is a very fallacious ground for the soundness of an office.

1462. Is it a fair test of the public trust?—It is temporary; the present amount of business, we do not know how long it may continue.

1463. Is it a fair criterion of the public confidence?—Of a portion of the public.

1464. Is it a fair criterion of the public confidence, not of the validity of the grounds of that confidence?—The test is really when a policy has been in force for some time, when it acquires a saleable value.

1465. You mean people are liable to be over sanguine?—In the early stages, before an office is tried, you cannot say whether the confidence of the public has any grounds.

1466. I am not asking you about the grounds, I want to know as to the facts; do you not think that it is a fair criterion of the existence of public confidence to inquire what is the amount of business which the office is doing?—Upon the same principle, you would say the greatest quack, having more business, would be more entitled to the confidence of the public than the best physician.

1467. A policy holder goes to purchase a policy at an office, and if a very large number go, does not that indicate that there is a great amount of public confidence, whether it is well founded or not?—It is such a confidence as is indicated by the numbers who follow inferior empirical professors.

1468. There may possibly be some persons here who think your answer is not quite candid; apart from the satisfactory ground of public confidence, do you not think that the fact of an office doing a large business is a proof of the existence of public confidence?—It is a proof of the existence of confidence in some quarters.

1469. *Chairman.*] Might it not be a proof of great activity on the part of the office in pushing their business?—A number of policy holders would be influenced a great deal by the representations of parties in the agencies of the offices, the people themselves being ignorant of the precise state of things at head quarters.

1470. Mr. *Chambers.*] Assuming for a moment you are right in your opinion as to the condition in which a number of offices are now placed, what remedy do you propose for that state of things?—The proof of the existence of the policy values; whatever the policy values are, they should prove there is realised property to that extent, possessed by the office.

1471. What plan do you suggest to the Committee for testing the condition of these institutions?—The statement of the office itself.

1472. Do you know any office now in existence which does not make a periodical statement of its affairs?—I scarcely know one that makes a statement that can lead to much information, as they do not state the principles on which their valuations are made.

1473. Are you of opinion that the principles should be propounded by some public authority, which should be common to all such statements?—I think it would be well that it should be so, both as regards the mortality to be adopted, the rate of interest to be used, and also the margin for expenses.

1474. And that the enforcement of such a principle as the foundation of the calculation would detect the insolvency which you are suspecting?—I would not ask for any minute or exact calculations, in addition to calculations made by the office on other declared principles, but merely that the officers of each office should say what the valuation would be, if the principles recommended by the Government were adopted.

1475. And you think, without taking out of the hands of the assurance office the whole management of its business, a public officer might exercise such a control as would give the public more confidence than they have now?—I think it might be done without the aid of a public officer.

1476. Who is to see that the principle you mention is observed?—There should be a right of investigation where the returns were proved to be false.

1477. What returns?—The returns required from the offices.

1478. Are you of opinion that returns should be required from all the offices?—Yes.

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1479. And you probably have in your own mind the exact plan which you think will meet the proposed difficulty; in that case, I should wish to understand what it is. What plan do you think ought to be adopted with reference to these offices; I have not gathered from you what your scheme is?—It would be a periodical return of receipts and disbursements; also of property and valuations of policies.

1480. A return, where to?—To the Office of Registration. There would be a classification of the property according as it was invested in various forms; and then there would be a return of the valuations classified under a few heads, the return being made according to the principles adopted by the office; and then a statement of the principles that were so adopted, accompanied by a general statement of what the result of the valuations would be, if they had been made according to the table and rate of interest recommended by the Government. It would be sufficient in most offices to show that there did exist an amount of realised property representing the total value of the existing policies.

1481. Have you seen Mr. Thomson's forms for those returns?—I have seen them.

1482. Do they convey what you mean?—Not in the least.

1483. You entirely differ from him in his judgment on the matter?—Yes.

1484. Have you prepared any such form yourself?—Not any form I would wish now to submit.

1485. I think it dropped from you in answer to a question by the Chairman, that with reference to liabilities and assets, they should be arranged under a few general heads?—Yes; not to give trouble to persons making out the accounts.

1486. Taking the new kinds of assurance business by modern offices, do you think a few general heads could possibly be correct; must they not be very numerous?—My impression is, that the relative amount of that business done in those new offices is very small; the greater portion of all business done, both in old and new offices, is on single lives for the whole duration.

1487. You think, with regard to the new class of business, it would not be to an amount of sufficient importance?—No; two or three classes might be included under one, without affecting the accuracy of the general result.

1488. You have been asked about the offices being trustees for minors and unborn children; can you tell me the words of a policy which covenants to pay A. B., whose life is assured; what is the covenant to pay?—To the assured, or his representatives.

1489. To his heirs, executors, and assigns?—Yes.

1490. Can the office, in any case you can put, become in any sense a trustee for anybody whose interests are not represented by the policy so effected?—The office is a trustee for the beneficial owner of the policy; his interests alone are represented by the policy.

1491. I will take this case; the owner of a life estate entailed on his eldest son effects a policy for the benefit of younger children under the conditions or the covenant of a marriage settlement; in that case, are the interests of the possibly born children, at the time when this policy becomes a claim, in any sense confided to the office?—Not in that way.

1492. Would not the trustees of the marriage settlement in that case select the office themselves?—They would.

1493. Take the case of a creditor; a debtor assures his life for the security of a debt, would not the creditor select the office himself?—He always does so.

1494. Can you tell me any case in which a party who assures for the benefit of another, would assure under circumstances where the interests of the party who is to receive the money was not represented at all?—In the case of a loan for a short period, I think such is sometimes the case.

1495. If A. owes 50 *l.* to B., A. may assure his life to secure the money without the consent of B.; do you think B. would agree to that?—The lender, knowing that his loan would be repaid in a few years, would not care what became of the policy afterwards.

1496. But if he relied on the security of the policy, would not he see that the policy was effected in an office in which he had confidence?—Certain offices are good for five or ten years; it is only where the policy is likely to endure for many years that the solvency of the office is an object.

1497. I want to know whether Government interference can be required with assurance offices, on the ground of any interests being imperilled in the business of

of life assurance, which are not represented when that assurance is effected. I have put the case to you of the owner of a life estate under a marriage settlement assuring his life for the benefit of younger children; that is a case in which the office, you say, has nothing to do, the interests are represented by the trustees; you have alluded to a case in which the parties who are ultimately to be interested are in no way represented when the assurance is effected?—The policy holder I refer to is a party entitled to inquire whether his property is in safe custody; I do not know of any other entitled to make that inquiry. The interference of Government is requisite for the purpose only of regulating this right of inquiry.

1498. Take a father assuring his life for the benefit of his children, not under covenant; that is the nearest case I can put, for it may be said the children are not represented; do you think the circumstance that minors, and even unborn children, may become interested when the policy becomes a claim, is a sufficient reason for the interference of Government by legislation?—I do not think that the reason for Government interference ought to rest on the ownership of the gross proceeds of a policy. Every policy ought to be considered as having an absolute owner, or a trustee representing the owner. The value at any time of the policy to the trustee owner is the sole property to be protected by the State against the possible maladministration of the assurance office.

1499. The question is this: inasmuch as minors and unborn children may be interested in the sum assured by the policy at the time the policy is effected, do you think the interference of the Government is necessary, in order to protect their interests?—As being policy holders in general, to the extent of the value of their policies.

1500. At all events, that would not be a special reason; you think there is a general ground for Government interference?—I think in general, the party effecting an assurance has an interest in common with the party to whom the payment is ultimately to be made by the office, and that as the policy holder, he has a right to know that the money which will enable the company ultimately to pay his claim, is in existence. If the present value of a claim of 100 *l.* receivable at death is 60 *l.*; if the value of the premiums henceforth payable is 30 *l.*, I think the assurance office ought to be obliged to show on their returns that they have 30 *l.* in hand as the value of the policy, which would enable them to pay the claim when it becomes due.

1501. Mr. *Hamilton.*] Was I correct in understanding you not to recommend Government interference, unless upon a requisition by a certain number of policy holders?—Yes; that I think is the course to be recommended.

1502. You were asked by the chairman as to various ways in which Government interference might be called into action: was I correct in understanding that upon the whole you thought it was not desirable that there should be such an interference, at all events, except in the case of a requisition by a certain number of policy holders?—That is my view. I think the returns of assuraace offices are generally correct.

1503. And that you relied on a periodical statement containing various particulars specifically given, as nearly as might be, in a state and form authenticated by a responsible officer, with a statement of the principles of valuation, as the best means of guarding against improvidence on the part of the company?—Yes; I believe such a statement would generally be correct, and would be entitled to public confidence; the defects in statements generally arise from concealment of the principles upon which those statements are founded.

1504. I think you further recommended that there should be a model table; can you describe more particularly what you mean by a model table?—A table which might be agreed upon by those who have most considered the subject.

1505. A table of mortality?—Yes; a table of mortality first; then a certain rate of interest, and then the addition to the premiums. I should say a model table, compounded of the elements of mortality, interest, and the addition for expenses.

1506. In that model table would you propose that the great variety of contingencies on which assurance offices are founded should be set forth?—No; nothing further would be necessary than a statement of the table of mortality, the rate of interest, and the addition for expenses; an actuary would make the calculations according to the class of assurance to which it might be intended to apply.

 1507. After

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1507. After all, does not in a great degree the solvency of assurance offices depend on the accuracy of the principles on which the calculations of the actuaries with regard to their contingencies are made?—That depends most on the principles adopted; if the principles are correct, the actuaries' calculations may be looked upon generally as correct.

1508. But those principles vary to a great degree with reference to the different contingencies on which different offices are founded; there are some offices which profess to assure for certain contingencies, and other offices for other contingencies?—Yes; but the calculations of the actuaries would be shaped accordingly, to represent the proper premiums.

1509. *Chairman.*] The question I put to you formerly on the subject of interests, which brought assurance offices into some sort of analogy with trustees, was with the view of asking your opinion whether the interference of the Government with reference to assurance offices, having in view the remote and contingent interests which they had in their hands, was not very different from the interference of Government in the daily transactions of business, which were only from day to day, or for short periods; are you of opinion there is much distinction with regard to the business of assurance offices, and business in general in that way?—The difference rests chiefly in the value of the policy at any time; the trust relates merely to the value of the policy at any particular time that may be selected.

1510. But is there not a great difference between an obligation which has to become due at a very remote period, contingent on annual payments, and obligations which are running only from day to day, or for very short periods, where the persons so selecting may use their own option as to the transactions into which they enter, or into which they will not enter?—That increases the ground for interference unquestionably, because the party represented has no power to cease the payment of the premiums.

1511. Take the case of a settled estate; suppose a person on marriage settles a provision for his wife and for children then unborn in the event of his death, assuring his life for a considerable sum as a security, and charging his estate with the payment of the premiums from year to year, so that there can be no doubt whatever about the payments being kept up, the only parties interested in the result being the widow in case she survives, and the issue in the event of children being born; would the trustees, although exercising an option at the time they enter into that arrangement, have any power of controlling it after they had done so; would not, therefore, the whole value of that settlement depend on the ability of the office to comply with the engagement into which it had entered?—Yes; then instead of the assurance company being bound to show its solvency at a particular moment, it would have to prove its solvency up to the time the claim became due.

1512. Would not that be an additional reason why the public, when they are entering into engagements which have a very remote prospective eventuality, should be satisfied of the solvent and satisfactory condition of the office into which they enter?—So remote and prospective a risk is greater when the life assured, or the party engaged, is compelled to continue the payment of the premiums until the end of life.

1513. The whole value would fail if in the meantime such apprehensions arose as to the condition of the office, as to induce a suspension of the payment of the premiums, or if in the meantime the office itself were to fail?—They would be in a worse position than an ordinary individual, because they would be obliged to pay the premiums, while an ordinary individual might withdraw, and lose only a small portion of them; the value of the policy sacrificed would be much greater than the value in the other case.

Jovis, 2° die Junii, 1853.

MEMBERS PRESENT.

Mr. Wilson.	Mr. Mullings.
Mr. Muntz.	Mr. Chambers.
Mr. Cowan.	

JAMES WILSON, Esq., IN THE CHAIR.

Samuel Brown, Esq., called in; and Examined.

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1514. *Chairman.*] ARE you an Actuary?—I am Actuary of The Mutual Life Assurance Society.

1515. Was your company established since 1844, under the new Act?—No, it was established in 1834.

1516. On what principle was it established?—On the purely mutual principle, without any guaranteed capital at all.

1517. Without any capital whatever?—Just so.

1518. Out of what fund, then, did you pay your preliminary expenses?—Entirely out of premiums received.

1519. But you had expenses, of course, before you had premiums?—No, I believe not. The directors agreed for the first five years to guarantee, if it were necessary, 500*l.* each amongst 15 of the directors, but that sum was never called for; the premiums in the first year amounted to about 3,900*l.*, the expenses were only 574*l.*

1520. But you had a guarantee fund of 7,500*l.*?—Yes, not paid up.

1521. Payable if necessary?—Exactly.

1522. The premiums for the first year were 3,900*l.*, and the expenses 574*l.*?—Yes; in the second year the expenses, including the deed of settlement, were 1,225*l.*, and the premiums 5,114*l.*, so that we never had occasion to call for any portion of the guarantee fund.

1523. What is your opinion as to the present condition of life assurance offices generally?—My own impression is, that from the great competition prevailing at present, it is impossible to carry on an office without a guarantee fund, without a paid up guarantee fund, I should say, in the present day; because the expenses are so greatly increased that you would require in every case some fund to fall back upon, in order to meet the risks.

1524. In what way are the expenses necessarily increased?—From there being so many companies; I consider the total extent of business has not increased in the same proportion as the companies, and consequently the amount of business done for the first few years by each company is considerably less than it was in former days.

1525. And you consider, in order to get the same amount of business, a much greater expense must be incurred?—Yes, considerably so; there must be a greater expense for advertising, and a greater expense in establishing agencies, without which little business can be obtained in the present day; and generally I conceive that the expenses must be much greater now, in proportion to the total amount of business that would come into the hands of the company. I should state, that with regard to the amount of business obtained by companies previous to 1844, the total amount received in premiums by 21 companies established between the years 1720 and 1837 inclusive, was 2,233,679*l.*

1526. Were those 21 companies the whole of the companies established during that period, or are they selected?—They are all the companies from whom I have received any return; they are not selected; they are companies that have voluntarily sent in their returns on a request made to them.

1527. Were there many other companies besides those established during that time?—Yes, a considerable number; their returns are not accessible; I have had no means of ascertaining what the premiums received for the first five years were.

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1528. What argument do you derive from that?—I consider the 21 companies to represent a fair average, taking all classes, both proprietary and mutual, from 1720 to 1837.

1529. That must be a very small portion of the companies that were established during that period?—The total number actually established, and in existence at the end of 1852, I have no means of getting at; some may have gone off; the total number existing was 77 proprietary companies, and 27 mutual companies, making 104.

1530. It does not follow but that the 21 companies might be very favourable specimens, and might not be a fair representation of the expenses of the whole?—It does not follow, but they were not selected; they are all those who voluntarily replied to the questions asked.

1531. They were companies that voluntarily rendered an account of their receipts?—Yes, upon request amongst some of my friends.

1532. It is not likely that a company that had a very unfavourable account to render would have voluntarily made it?—Every company that was applied to made it.

1533. Were they 21 companies taken indiscriminately from the whole number?—Yes.

1534. And all made a return?—Yes.

1535. How does that compare with the expense of companies of later establishment?—The returns I have relate only to 28 companies established since 1844. The total amount received by these 28 companies, including deposits and annuity money, is 431,080 *l.*

1536. In how many years?—In $3\frac{4}{10}$ years.

1537. The first was in five years?—Yes, taking the first five years of the old companies.

1538. Taking the first five years of the duration of each company?—Yes, five years of the old companies, and $3\frac{4}{10}$ years of the duration of the new companies.

1539. Why do you take $3\frac{4}{10}$ years?—That is the average of the existence of the 28 companies.

1540. Would not it follow, that the period being shorter, would very materially affect the average of the whole?—It would affect it, but not to any great extent; the proportion of premiums received per annum is about 21,300 *l.* in each of the old companies, and about 4,530 *l.* on an average, in each of the new.

1541. Mr. *Cowan.*] Those 28 companies are by no means the total number of companies that have been established since 1844?—There are a great many more; 79 in all, proprietary and mutual.

1542. Why do you select those companies?—Because they are the only companies of which returns could be made out, showing the proportion of expenses to premiums.

1543. Are those returns selected by yourself from a number of returns?—They are selected from a number of returns: it was made from a statement which was in the first instance prepared by Mr. Christie, of the Scottish Equitable. The total number of companies established since 1844, is 64 proprietary companies, and companies called mutual, which have a guaranteed capital, and 15 mutual companies, apparently established without any guaranteed fund, as far as I can ascertain.

1544. Mr. *Chambers.*] Are you certain there were 15 companies established without a guarantee fund?—It appears so from the published prospectuses; I have obtained all the prospectuses possible, and I find 15 companies without a guaranteed capital, and 64, including proprietary companies, calling themselves mutual, having a guaranteed capital.

1545. *Chairman.*] What do you find in the old companies as the average per centage on their premiums of the cost of management?—In the first five years the average expenses were not more than 14 per cent., including deeds of settlement, preliminary expenses, and the expenses of all kinds of establishing the company.

1546. Fourteen per cent. on the actual premiums received?—On the actual premiums received in the five years.

1547. What is the case with reference to those you have alluded to as new companies?—I consider if you take the deposits and annuities, of which there were very few in the old companies, and include them as receipts from premiums, the expenses then would be 71 per cent. on the premiums received.

1548. What

1548. What do you mean by deposits?—Deposits of money placed in the companies' hands for the purpose, I suppose, of improvement at interest.

1549. That is not an asset of the company; that is a debt from the company?—I consider that properly ought to be deducted from the amount to represent the real premiums received, and so should the annuity purchase money; but to put it in the most favourable way, viz. to suppose both the deposits and annuity purchase money are included in the total premiums received, the expenses will be 71 per cent.; if you deduct the deposits and annuity purchase money, then the expenses will be 79 per cent. on the premiums received in the 3 $\frac{4}{10}$ years.

1550. Is it a frequent practice for people to deposit money with assurance offices at interest?—It is not very common; the total amount deposited with these companies appears from the accounts to be 12,693 *l.*

1551. What rate of interest do they allow?—I am not aware; it is not a business I have anything to do with.

1552. Then they act as bankers, and receive deposits at one rate of interest, having to improve it at an increased rate; is that the case?—Yes.

1553. Is that considered a legitimate branch of business for an assurance office to undertake?—It is frequently done in other countries; in America, for example.

1554. Is it the practice of the old offices here?—I fancy not; I never heard of it in the old offices to any extent; not at all, in fact.

1555. It is a new practice, which has crept in of late years?—It seems so.

1556. Mr. *Chambers.*] It is a branch of the business mentioned in the prospectus, "Assurance, Deposit, and Loan Society"?—Yes.

1557. *Chairman.*] The whole three branches are mixed up in one?—It is sometimes the case.

1558. They receive money at deposit at one rate of interest, and they profess to lend it out on loan at another rate?—I presume that to be the case.

1559. The company with which you are connected has no business of that kind?—No; neither annuities nor deposits.

1560. Mr. *Chambers.*] Do you loan money?—We loan our own funds, for the sake of improving them, at interest.

1561. *Chairman.*] You invest your own premiums?—Yes, on real property, or realisable property.

1562. And on the security of policies?—On the actual value of the policies; not on personal security with policies, merely on the actual value.

1563. You estimate the value of the policy at that time according to your valuation?—Yes.

1564. Mr. *Chambers.*] On policies of your own office, you lend money according to the extent at which you would purchase them?—We lend three-fourths of the value at which the company purchase the policy, reserving one-fourth as a margin to cover deficiency of interest and other things.

1565. *Chairman.*] Then the charge on these new offices to which you have alluded is 79 per cent. on the premiums received?—On the pure premiums received; taking away the deposits and annuities, the charge would be 79 per cent.

1566. Seventy-one per cent. including deposits and annuities?—Yes.

1567. That is the average of the 28 offices?—It is.

1568. Of course there are many in that 28 that would be much higher, and a great many would be much lower?—Yes, some of them have been carried on at a very moderate expense, and some much higher; I have stated the average of the whole 28.

1569. Mr. *Chambers.*] That is Mr. Christie's calculation, I think; not yours?—It is Mr. Christie's calculation as to the arrangement of them in a tabular form.

1570. *Chairman.*] Have you checked the figures with the original returns?—I have, as to 28 accounts; the others I did not find sufficiently clear to enable me to include them in my calculation.

1571. The 28 you have checked with the Returns laid before Parliament, and these results are derived from your own calculations?—Yes.

1572. Mr. *Chambers.*] And the conclusion you draw from that is, that it is much more expensive to get business for an assurance society now than it was 100 years ago?—Yes, much more expensive.

1573. *Chairman.*] Do you come to the conclusion it is so much greater as, in your opinion, to interfere with the safety and future solvency of offices?—I consider at the present time it would not be sufficient to leave them a fund equal to

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the real value of the policies which they have granted in the period I spoke of, an average of $3\frac{4}{10}$ years.

1574. They being young offices, and having expended a great deal of money for the purpose of getting a connexion, is it not possible that a great deal of that expenditure might be like seed sown in the spring, of which the fruits may be reaped in the autumn? In other words, is it not possible, and is it not the case, that in all new businesses a large expenditure is necessarily undertaken in the first instance, the whole advantage of which is not reaped until a future period?—Yes, that is true.

1575. Would you not make a considerable allowance for that?—Yes; but still it seems to me that a company should never spend more than the difference between the real value and the margin put on for profit; that is, they should always be solvent. The first year, I consider a company is not solvent at the end of the year if they have not the value of the policies in hand.

1576. Mr. *Chambers.*] You speak of a company, the insurers in which have no security except the balance of premiums in hand?—Yes.

1577. Which is your own case?—Yes; and that was the case originally with all the old assurance companies.

1578. *Chairman.*] That is not exactly your own case, because I understood you to say that though you had no guaranteed capital, you had a guarantee of 7,500*l.* from the directors?—Yes; but the value of the policies was in hand besides.

1579. Mr. *Chambers.*] There are a great number of purely mutual societies that start without a guarantee fund?—Yes.

1580. *Chairman.*] What is the fact with regard to those 28 companies having any guarantee fund?—Nearly the whole of them have a guaranteed fund; the total capital paid up in the 28 companies appears to be 297,916*l.*

1581. Have most mutual societies a paid up capital?—No; the greater part of them, nearly the whole of them in fact, are proprietary companies, or partly proprietary companies.

1582. What is the amount of their premiums?—£.431,000.

1583. Then they had a capital paid up, very little short of three-fourths of their premiums?—Yes.

1584. That becomes a very great easement and security to those who assure?—Yes; no doubt a material security to them, but I speak merely of the expenses; the effect of spending so much must be, that the money must eventually be repaid by the members, having been incurred by themselves in the first instance out of the premiums, from which also the interest on the guarantee fund is provided.

1585. The fact of the capital being paid up to that extent, although it gives additional security to the parties assured, does not alter the character of the business as to its being profitable or unprofitable?—It appears to me that it does not. I conceive that all these expenses, amounting to 71 per cent. of the premiums, must be paid eventually by the members; and, consequently to that extent, the system of carrying on a modern business is much more expensive to the members, and much more to their detriment than the former system, which would expend only 14 per cent., and still have a guarantee fund.

1586. That would be a question very much for the persons who subscribe that capital, rather than for the parties who are assured?—It seems to be rather for the assured, because in the end they will always be expected to repay any expenses incurred for the establishment of the company.

1587. That is in the case of a proprietary company?—Yes.

1588. The first claims on the funds of the society, whether they be composed of original capital, or subsequent premiums, must surely be the claims upon the policies as they fall in?—Certainly.

1589. And those claims must be satisfied in priority to the claims of the paid up capital?—Certainly.

1590. And therefore if there be any deficiency in the long run, the first loss will be to the proprietors; and their funds must be exhausted before the parties assured suffer any loss at all; is not that so?—Yes.

1591. Then how is it that the parties assured must ultimately pay the proprietors' capital, unless the profits of the business should be equal to it?—Because the expenses of the business must always be paid out of the premiums received. If the company is prosperous, the profits will arise out of the premiums received, and consequently the expenses, if they are heavy expenses, will, in the first

first instance. be deducted, and would leave a smaller amount of profit for the members out of their own premiums.

1592. That is only so far as the profits are divisible amongst the members?—Yes.

1593. That would not affect the principal sum assured in the first instance, but only the diminution of the premiums on account of profits, or the increase of the sum assured, as the case might be, arising from profits subsequently?—Precisely.

1594. Then so far as regards the original sum assured, the parties assured would have a prior claim, and, so far as that sum is concerned, would be secured, although the whole capital of the original proprietors was lost?—Yes.

1595. Was your company registered under the Act of 1844?—It was registered in the same way, I believe, as all other companies in existence at that time were registered; that is, not completely registered, registering only the name, place of business, and the nature of the business of the company.

1596. Not the shareholders' names?—No.

1597. You made no return?—We made no return; we merely registered under the Act.

1598. You merely registered the name of the company, the place of business, and the objects of the company?—That was all that was required by the Act, for existing companies.

1599. Should you consider it an advantage to be completely registered under that Act?—We should not consider it an advantage; we have no objection to be completely registered. There are no clauses in the Act, I think, which we should have any objection to comply with.

1600. Mr. *Chambers.*] You have not done it?—No.

1601. You are aware you can do so?—It offered us no advantage from doing it.

1602. *Chairman.*] Does the Act not make an exception in respect of assurance companies then existing?—I believe so.

1603. Mr. *Chambers.*] You cannot register completely under that Act?—I understand not.

1604. *Chairman.*] All joint stock companies could register under the Act except assurance companies?—Yes, I believe so.

1605. Have you not rather led the Committee to believe that the number of assurance offices is too large for the amount of business?—That is my firm impression, from all the inquiries I have made.

1606. Do you think if there had been fewer assurance offices, there would have been as much business as there is?—I think it would have been equal to the existing business.

1607. Do you not think that parties have been induced to assure from the great activity of these new offices in attracting the attention of the public and making efforts to obtain business?—I believe the same efforts would have been made by previous offices; I do not object to the number of offices now existing, I believe there is an ample field for all the offices to work in, but I think if the same increase goes on for the next ten years, it might become an important question to the assured.

1608. Mr. *Mullings.*] Might not that be effectually guarded against by a provision that there should be a paid up capital as a guarantee fund which should be invested, and not used or dealt with until there was a certain amount of accumulated premiums?—Yes, I think that would be an effectual protection.

1609. Mr. *Muntz.*] How would you estimate the extent of the necessity of a guarantee fund in each case?—There is no particular rule that could be laid down.

1610. Do you think it would be possible to get any rule that would make it safe?—My impression is, that the rule that applies to banking companies might safely be applied to assurance offices in future.

1611. Still if there is no rule, and the proportion of guarantee fund cannot be ascertained, it seems a very doubtful question whether you could ever realise the object you have in view which should make all parties assured secure?—I conceive a capital of from 30,000*l.* to 50,000*l.* reserved as a guarantee capital, independent of what is necessary to establish the business, would always form a sufficiently safe guarantee fund for any company.

1612. Suppose you had a capital of 50,000*l.*, what amount of assurances do you think would be safe under such a guarantee as that; how many millions of assurances?—Any amount would be safe; the larger the amount of assurance business, the less you would require a guarantee capital.

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1613. Then that makes a guaranteed capital of very little consequence?—Except as a check on the formation of companies increasing faster than the amount of business which can be obtained.

1614. *Chairman.*] You do not propose a guarantee fund for the purpose of adding to the security of the business itself, but rather as a check against parties undertaking a business, which, in itself would not be secure, in order that they may have a stake in the matter, and something to lose if the business be not conducted profitably?—That is my individual impression; I do not see the absolute necessity for capital in the formation of an assurance company if it was carefully managed from the beginning; but if the expenses increase now as they have done lately at the beginning of the company, it is absolutely necessary to have some protection for the assured, which they may have to fall back upon in case the premiums remaining are not sufficient to cover the claims.

1615. In fact, what you want a capital for is as a test of the *bonâ fide* intentions of the parties undertaking the company, which would be a security to the public that they undertake it for a *bonâ fide* object?—I wish to propose it with no other motive; the having some such guarantee fund seems to me to be absolutely required, independent of any other capital. If a proprietary company is started for the purpose of making profits, I consider a guarantee capital should be provided besides, because the amount required as a proprietary company, to form the company, would be very small, 10,000 *l.* would be sufficient; and if no guarantee capital at all were required, any number of companies might be started, and in a short time they would be unable to fulfil their promises to the public.

1616. Mr. *Muntz.*] Then it appears your great object in having a guarantee fund is to prevent the success of companies to be established?—Unless they can commence business with a chance of success.

1617. Mr. *Mullings.*] You would have some consideration for those who may be assured, and may die first before there is a fund to meet their claims?—Yes.

1618. That is the object of a guarantee fund?—Yes; a guarantee fund would be applicable to that.

1619. How would you propose to deal with a guarantee fund; should it be invested in the names of trustees, and not to be dealt with?—I think it might be invested in the names of trustees, and the necessary proof should be given from year to year that such guarantee fund remained intact. That fund should be invested in the Government funds, or in some substantial security; and should not be allowed to be broken in upon except on the dissolution of the company.

1620. In that case, in what mode would you provide for the compensation or interests of the parties who may have paid up that guarantee fund?—A considerable portion of that interest would be provided in the public funds; that of course would not be sufficient to induce parties to invest their capital in that way, I should, therefore, have no objection for another 1 per cent., or 2 per cent., to be paid out of the funds of the company, to make up the dividend to what would induce the parties to advance their capital.

1621. That increased dividend would tend ultimately to leave the accumulations less for the benefit of the members?—It would do so, but the amount would be very small, and, upon a guaranteed capital of 50,000 *l.*, the difference would be only 1,000 *l.* a year.

1622. *Chairman.*] It would be the first charge upon the profits of the business?—Yes. With regard to mutual companies, it seems to me that some amount of guarantee should be provided in the first instance, but that they should have the power, as they realised profits, to withdraw such an amount of the guarantee as they pleased, and substitute the profits in place of it, with the understanding that those profits were not to be divided, because otherwise the guarantee would be merely a nominal guarantee for nominal purposes.

1623. Mr. *Mullings.*] You would have no objection to an office in which there was a guarantee fund accumulating from the receipts, and to be substituted for that which was then to be released?—No, I would not go to that extent; I would permit them to substitute any portion of their profits they chose to leave undivided, for an equal amount of that guarantee fund. For instance, if the company could pay more than 1,000 *l.* a year in dividends, they could substitute that excess above their own dividends; and it should not be considered that a company could make any division of profits until they had realised the 1,000 *l.* to pay the interest to holders of guarantee stock.

1624. What would be the test you would suggest for the purpose of ascertaining that

that?—I am afraid that ought to be a question of the valuation of policies; I conceive some guarantee should be given that the valuation had been made by the actuary of the company; the Government might possibly require that another actuary should also form an opinion upon the subject, so that he might agree upon what was a fair reserve to be made from a valuation of the policies themselves.

1625. Would some such mode occur to your mind to be rather desirable; suppose the fund to be invested in the names of trustees who are not beneficially interested in the office, that that fund should not be realised, or got rid of, except by the consent of those trustees, casting upon them the responsibility?—Yes, they should be responsible that it is not got rid of.

1626. Suppose the office should come to such a resolution, that before they dealt with those funds, they should have the consent of the parties in whose names the fund was invested?—I conceive it would be no difference to them so long as the fund was held intact, whether it was formed from the profits of the company, or from funds originally subscribed, so that their consent would be of no consequence.

1627. *Chairman.*] Do I understand you to give an opinion that the guarantee fund might be replaced by monies other than profits which have been derived?—No.

1628. I presume it might be replaced, not by the whole of the profits, but by such a proportion of the profits as the companies themselves choose to set aside for that purpose?—Yes.

1629. But you would always keep a fund intact either from the original subscribed capital, or from the profits which had been placed there, in exchange for a portion of it?—Yes, and it should remain undivided.

1630. So that there should always be a fund over and above the calculated liabilities of the company?—Yes.

1631. Mr. *Mullings.*] Would it be quite safe to rely upon a mere return from the company; are you aware of the mode in which banks are formed with a guarantee fund?—Only very generally.

1632. Are you aware this is one mode in which they get security; that they pay up a certain amount of capital, as a guarantee fund; that they then receive 5 per cent. from that with a provision that a certain portion of the excess of profits beyond 5 per cent. shall go to a guarantee fund for the very purpose of replacing that amount, to be realised when it comes to the sum originally agreed upon; are you aware that is the mode?—I believe it is, and I should see no objection to that plan being carried out in the case of assurance companies; that is, that any excess of profit above 5 per cent. to the other shareholders should go first to form a substitute for the guarantee fund.

1633. I apprehend you must have some mode of prescribing the proportion of the amount of interest beyond the capital. Assuming you were paying the lender 5 per cent., and the profit beyond is three per cent. more, would you not prescribe some proportion of that to be set apart for the guarantee fund without reference to profits?—I think it would be unnecessary to require the guarantee fund to be paid off. If the company, being a mutual company, see no necessity for keeping that guarantee fund subscribed by other parties, but prefer to have their own guarantee fund of 50,000*l.* out of their own profits, I can see no reason why they should not be allowed to substitute for the other guarantee fund, their own; but I see no necessity for requiring parties to pay off the guarantee fund by laying by a portion of their monies adequate for the purpose.

1634. You would not lock up in perpetuity the money of those persons who originally contributed; does not it occur to you that you would be locking up the money in perpetuity?—I consider that a guarantee fund might be formed of shares capable of being transferred from one person to another, and it might be composed of shares fully paid up, and that they should not be less than 50*l.* each, that that 50*l.* share might be transferred from one party to another, so that, if he wishes to receive his capital he might do so by transfer, without breaking in upon the guarantee fund.

1635. *Chairman.*] Would it not be very detrimental to the interests of a company that it should continue for a long time a loan of money (because the case would be a loan of money, so far as the company are concerned) for which they are paying five per cent., and for which therefore they are paying 1,000*l.* out of their premiums every year?—That is the reason why I think it should be paid off, by substituting the profits of the company occasionally.

1636. Would it not be a wise and beneficial arrangement, looking to the interests of the company itself, that that substitution should be made; that the

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first application of the profits, whatever they may be, or however derived, should be applied to the payment of the guarantee fund?—I think it would be better to leave to the company themselves the power to pay off the guarantee fund; but that you should not insist upon paying it off.

1637. I can quite understand that the company may have a factitious interest in paying profits at an early period, but beyond that can you state to the Committee any interest a company could have in continuing to pay five per cent. on 50,000*l.*, when it probably was employing or investing its own funds at three and a half or four per cent.?—Except that it seems to me the guarantee would not be enforced unless you kept up that fund entire; there would be no guarantee, in fact, unless you required a reserve of absolute profits to be in its place, and members would expect some share of the profits first realised.

1638. Would the guarantee not be as complete if it were replaced by the profits of the company, which would otherwise be divided amongst the shareholders, as if it were continued by the original subscription capital of those concerned in the undertaking?—Yes.

1639. Then would it not be a more economical arrangement for the company to make, to pay off at the earliest possible period, a guarantee fund, for which they were paying five per cent. by means of profits they have made in their business?—It might in some degree interfere with the prosperity of the business if parties found that no profits were divisible for so many years, and it seems therefore more advisable that a portion should be divided among the members, and a portion applied to the guarantee fund, rather than keep the members waiting until they had realised 50,000*l.* out of the profits.

1640. But so far as regards the real and ultimate interests of the shareholders, or parties assured, it would obviously be to their interest, would it not, to get rid of an expensive loan at the earliest possible period, by which their profits ultimately would be larger than if they had continued that loan at five per cent.?—Yes, it would, if they survived long enough to come into the profits afterwards.

1641. Mr. *Chambers.*] The holders of policies which became claims before the 50,000*l.* is paid off, would be at a disadvantage, as they would lose their share of the profits?—Yes.

1642. Treating the society as immortal, and all the members as immortal, it would be clearly, as the question stated, be to the advantage of the society to pay off an expensive loan first, and to divide profits afterwards?—Yes.

1643. *Chairman.*] The difference between the interest they are making and that they are paying out, upon their own guarantee fund, would be an additional charge rather than anything else, on the society?—It would.

1644. Mr. *Muntz.*] Have you ever known any instance, in your practice, where there was any deficiency in respect of the responsibility of a company?—I conceive that a society not capable of meeting the whole of its policies at any time, independent of its capital, is not in a solvent condition at that time. It may recover itself afterwards. I conceive that the value of the policies ought to be in hand from the very first year of the society.

1645. Mr. *Chambers.*] You think a society should be able to go into the market at any moment of its existence, and purchase up its policies?—Yes.

1646. And leave off business with a balance in hand?—To leave off business without a deficiency.

1647. That is a theoretical solvency; but are you acquainted practically with any case where a company has failed to pay claims when made, because they had not money to do it?—I am not practically acquainted with it; I see accounts of such things in newspapers and magazines, but I do not consider that I could speak to it personally; it is not my business to inquire.

1648. *Chairman.*] Are you aware of the cases of offices that have offered their business for sale to other offices, and which, on investigation, they have refused to accept?—I have heard of such cases; they have not personally come before me.

1649. Mr. *Chambers.*] Do you know what has become of any society that has been so declined in the market?—One I have in my mind is going on still; but I do not conceive that the position of a society is bettered by going on; I conceive it is possible, by a larger expenditure of money, to bring in business for a time; but the event would only be to place the society in a worse position than it was in before; and when it becomes necessary to make an arrangement at last, a larger amount of money will have to be paid up, to meet the deficiency.

1650. That is because the society is unable to carry on its business on profitable terms?—Yes; the fact of a society wishing to transfer its business, and not being

being able to do so, seems to me to imply it was not carrying on business on profitable terms.

1651. Does it at all lead to the conclusion that where an offer of amalgamation has been declined, the company should continue to carry on business on unprofitable and disadvantageous terms?—No, it does not follow.

1652. Cannot you imagine that by extraordinary exertions after that offer has been declined, and a desire fully to meet the responsibility which the company has incurred with reference to those who have assured with it, the result of those exertions and the consciousness of that responsibility would be, that the business which had been unprofitable up to that time, became profitable afterwards, so that that society which began with being insolvent, might end by being very rich?—It would be possible; but the effect of spending more money to attain business, does not always succeed in making that business profitable.

1653. You have assumed the condition that there must be more money to do it?—It seems to me to be almost the universal rule now that mere exertions without an expenditure of money, avail very little.

1654. The practice is universal to spend money now for the purpose of bringing life assurances to the offices; knowing that practice, is it your opinion that that turns out to be an unprofitable investment of the money so spent by the office?—It diminishes the profits.

1655. Is it an unprofitable investment?—To that extent, that the profits are diminished by the heavy expenditure which is incurred by getting business as against other offices.

1656. You forget the problem that I put to you; business cannot be got, you say, without the expenditure of money; you say the expenditure of money is made universally for the purpose of getting business; taking those things into consideration, viz., that the practice is universal, and the necessity is admitted; do you still hold that that practice is disadvantageous to the societies who adopt it?—I consider the necessity must be the result of competition; from there being so many societies in existence, they are compelled to divide the business among a larger number at a greater cost. If a smaller number obtained the same business, that business, I have not the least doubt, could be obtained without that expenditure if it were not for the competition of so many offices.

1657. *Chairman.*] Does not the whole resolve itself into this: the proportion of business to the expenses?—Yes.

1658. Without going into any speculative cases, you have quoted the returns of 28 offices in which the expenses were 79 per cent. of the premiums; is it possible for those to be paying companies?—Not in my opinion, upon the average.

1659. Mr. *Chambers.*] Is it possible for you to say, even by conjecture, that they are not most profitable companies; taking the $3\frac{4}{10}$ years, I ask you, as an actuary, is it possible for you to say they cannot be paying companies; nay, is it possible for you to give a well-founded opinion that they are not successful companies?—I consider that a company cannot be considered successful that is not solvent at any given time.

1660. You are asked whether they could be paying companies; I put it, do you mean to affirm that they cannot be successful companies?—I cannot affirm that they may not at some future day be successful companies; at the present moment I cannot say so.

1661. *Chairman.*] When their expenses are 79 per cent. on their premiums, can you give an opinion that they are successful companies while that expenditure continues?—I consider they are not.

1662. Are they solvent companies?—I consider they are not.

1663. Until the amount of premiums shall be very different, or the proportion of expenditure shall be very different, so that the proportion instead of being 79 per cent. shall be very much less, are you of opinion that they can be considered solvent?—I am of opinion they could not pay claims ultimately if that system continues.

1664. Mr. *Chambers.*] Take the case of an assurance society which has effected one policy of assurance and has received one premium, and its expenses have been 300*l.*, would you affirm, would you think it right to affirm, with reference to that society, that its condition was not a condition of solvency?—No, I would not affirm that; but it would show the society is not wanted, if after spending 300 *l.*, they could only obtain one policy.

1665. Does not the whole weight of any inference which can be drawn from the proportion which the per-centage of expenses bears to the whole income depend

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depend on the varying proportion year after year, viz., whether it diminishes, whether it is stationary, or whether it increases?—Yes.

1666. If the expenses in the first year are 300 per cent. on the premiums, in the second year they are 70 per cent., and in the third year they are 20 per cent., should you or not say at the end of the third year that society was a successful society?—I should say, certainly not successful.

1667. Supposing at the end of the tenth year the expenses were 14 per cent. on the premium received, what should you say then?—It would depend on the amount of expenses previously incurred.

1668. So that in point of fact, every feature with reference to the position of the office must be known before any opinion can be given as to its solvency?—Yes; I give no opinion with reference to the solvency of any individual company, I speak merely of the general system of carrying on business now not being safe for the members as compared with the period I was speaking of. When the expenses were 14 per cent. on the society's business it was at all times solvent, and could have paid off the holders of policies at the first starting, without resorting to capital at all.

1669. It is not a question of degree; if the members are safe, they are safe; it is no question of comparative prosperity; it is a question of profit or no profit?—I am speaking of the comparative profits they are receiving from a large margin on the premiums, and I say the rate of expenditure is not in favour of a company carrying on business under the present system.

1670. Would it not be more correct to say that the shareholders would derive large profits from their concern?—On the principles of assurance, I think the more your receipts are, the more you lose, if more than the margin is lost in expenses, because I conceive a premium implies that one advantage you are to have in respect of that premium is that it is capable of profit from the excess being laid out at interest. That is one great principle on which the rate of premium is fixed. I am supposing a guarantee fund; that guarantee is part of the necessary expenses of the company; but if the expenses are so great that the members cannot obtain that margin of profit that is placed on the premiums, then the members are comparatively losing a portion of their own funds. Profits are nothing but an accumulation of the members' money at interest.

1671. *Chairman.*] Take any one company, or any number of companies, would it be a question whether it was deriving a profit or not, or a question of absolute loss, if the average expenditure of those companies, had been 79 per cent. of their premiums?—At that time it would be a question of absolute loss.

1672. The future condition of the company must depend on the proportion of the future expenditure to the future income?—Yes; and the proportion of past expenditure which has been excessive.

1673. They would want only that to improve their condition, so as to make it safe by making up lee-way of the past bad business they had done?—That is what I conceive to be the necessity thrust upon them.

1674. Mr. *Chambers.*] Have you the accounts of those 21 offices in detail?—No, I have not; I have only got the total expenses in either case; I have not named the offices in any portion of my report.

1675. You might have the details without giving the names?—I have not.

1676. Do you think you can rely with any confidence on the correctness of accounts you may have, without having the details?—Yes, I should have the same confidence in their being generally correct, as we have in these accounts which are furnished to the Registrar's-office. They are given by the officers of the company in each case.

1677. But you are aware, as far as regards the registered offices, those statements of Mr. Christie have been controverted?—I am not aware of their being controverted as to the accounts; it is merely as to the use which is made of those accounts.

1678. *Chairman.*] I understood you to say you did not make the same use of the accounts which Mr. Christie had made, but you took the same offices which he had taken, and took your figures from the returns themselves?—They came to almost the same results; the only difficulty was what we should consider to fall under the heads of preliminary or general expenses. Some expenses might come under one head, and some be put under the other; but in the total expenses which I am now speaking of, it includes all the preliminary and general expenses, so that I do not think there can be any difference of opinion.

1679. When you have been speaking of profits merely with reference to these

28 companies, you have been confining your observations, as I have understood, entirely to the proportion of expenditure to income?—Entirely.

1680. You have left out of both accounts the large amount of paid-up capital which you have admitted belonged to them, and therefore, though there may have been a very considerable loss so far as regards the actual business done, the companies themselves may be perfectly solvent, taking into account their paid-up capital, so far as regards all the parties who have assured?—Quite so; I have done the same thing with the old companies; I have simply compared their expenses with the total of their premiums received, in the same manner that I have done with the new offices; their guaranteed capital at that time was considerably larger than that of the new offices.

1681. Mr. *Chambers.*] Do those expenses include the interest on that capital?—I think in a very few cases.

1682. Was not that interest more than double the other expenditure?—I think not.

1683. *Chairman.*] Was it the practice in those old offices to pay up a small proportion, the subscribers being liable for the remainder?—The practice was only to pay up a small proportion, with liability for the remainder. I have a paper showing the number of life assurance companies established from 1706 to 1852, with a nominal capital, and nominal amount paid up in the proprietary companies.

NUMBER of LIFE ASSURANCE COMPANIES, according to Date of Formation, existing at the end of 1852. Proprietary* and Mutual, with the Nominal Capital, and Nominal Amount paid up of the former.

—	Number of Companies.	Nominal Capital.	Nominal Amount Paid-up.	Number of Companies.	Nominal Capital.	Nominal Amount Paid-up.	Total Number of Proprietary Companies.	Total Number of Mutual Companies.
		£.	£.		£.	£.		
1706	- -	- -	- -	- -	- -	- -	- -	1
1720	1	689,220	689,220	- -	- -	- -	2	—
1762	- -	- -	- -	- -	- -	- -	- -	1
1783	- -	- -	- -	- -	- -	- -	1	—
1792	- -	- -	- -	1	300,000	- -	1	—
1797	- -	- -	- -	1	1,000,000	- -	1	—
1803	1	1,000,000	1,000,000	- -	- -	- -	1	—
1805	1	1,000,000	100,000	1	150,000	- -	2	—
1806	1	1,000,000	100,000	- -	- -	- -	1	1
1807	2	1,250,000	125,000	1	600,000	- -	3	—
1808	1	1,200,000	132,000	- -	- -	- -	1	1
1809	1	1,000,000	100,000	- -	- -	- -	1	—
1810	1	400,000	40,000	- -	- -	- -	1	—
1813	1	300,000	30,000	- -	- -	- -	1	—
1815	- -	- -	- -	- -	- -	- -	- -	1
1819	1	92,520	92,520	- -	- -	- -	1	—
1820	2	1,350,000	135,000	- -	- -	- -	2	2
1821	2	3,000,000	1,000,000	- -	- -	- -	2	—
1822	- -	- -	- -	1	1,000,000	- -	1	—
1823	1	500,000	75,000	- -	- -	- -	1	1
1824	4	12,000,000	916,288	5	3,340,000	- -	9	—
1825	3	1,400,000	130,000	2	2,000,000	- -	5	—
1826	- -	- -	- -	1	240,000	- -	1	1
1829	- -	- -	- -	- -	- -	- -	- -	1
1830	- -	- -	- -	- -	- -	- -	- -	1
1831	- -	- -	- -	- -	- -	- -	- -	2
1832	- -	- -	- -	- -	- -	- -	- -	1
1833	1	300,000	48,000	- -	- -	- -	1	—
TOTAL - - -	24	26,481,740	4,713,028	13	8,630,000	- -	39	14

* In this list are included companies called Mutual, but advertising a guarantee or subscribed capital.

The following shows the Proportions in 38 Companies, established in 10 Years, from 1834 to 1844 inclusive.

—	Number of Companies.	Nominal Capital.	Nominal Amount Paid-up.	Number of Companies.	Nominal Capital.	Nominal Amount Paid-up.	Total Number of Proprietary Companies.	Total Number of Mutual Companies.
		£.	£.		£.	£.		
	24	26,481,740	4,713,028	13	8,630,000	- -	39	14
1834 - - -	2	1,500,000	250,000	- -	- -	- -	2	1
1835 - - -	1	300,000	30,000	2	1,250,000	- -	3	2
1836 - - -	2	2,000,000	140,000	3	3,100,000	- -	5	1
1837 - - -	2	1,500,000	162,500	2	1,500,000	- -	4	2
1838 - - -	1	600,000	48,000	2	1,000,000	- -	3	—
1839 - - -	1	1,000,000	57,500	2	700,000	- -	5	—
1840 - - -	1	1,000,000	40,000	- -	- -	- -	2	3
1841 - - -	2	700,000	40,000	1	500,000	- -	3	1
1842 - - -	1	1,000,000	200,000	1	500,000	- -	2	—
1843 - - -	- -	- -	- -	3	1,900,000	- -	4	—
1844 - - -	1	1,000,000	50,000	2	1,000,000	- -	5	3
TOTAL - - -	38	37,081,740	5,731,028	31	20,080,000	- -	77	27

1684. That is about 15 per cent. paid up?—Yes; rather more.

The following shows the Proportions in 20 Companies, established in the Eight Years from 1845 to 1852 inclusive.

—	Number of Companies.	Nominal Capital.	Nominal Amount Paid-up.	Number of Companies.	Nominal Capital.	Nominal Amount Paid-up.	Total Number of Proprietary Companies.	Total Number of Mutual Companies.
		£.	£.		£.	£.		
1845 - - -	4	3,250,000	435,000	4	2,250,000	- -	9	—
1846 - - -	1	500,000	10,000	6	2,650,000	- -	7	5
1847 - - -	1	250,000	10,000	4	1,750,000	- -	5	—
1848 - - -	1	100,000	5,000	3	850,000	- -	5	3
1849 - - -	- -	- -	- -	6	1,500,000	- -	10	4
1850 - - -	2	500,000	22,500	3	450,000	- -	6	—
1851 - - -	7	880,000	50,000	3	350,000	- -	10	1
1852 - - -	4	500,000	180,500	4	2,400,000	- -	12	2
TOTAL - - -	20	5,980,000	713,000	33	12,200,000	- -	64	15
	58	43,061,740	6,444,028	64	32,280,000	- -	141	42
Proprietary or Guarantee Companies:								
To 1844 inclusive -	69	57,161,740						
Since 1844 - -	53	18,180,000						
TOTAL - -	122	75,341,740						
TOTAL No. (with estimated Capital and Amount paid up) -	141	87,075,000	13,030,000					

1685. In those 20 companies, established since 1844, the nominal amount of capital is 5,980,000*l.*; the amount paid up 713,000*l.*?—Yes.

1686. Then the charge for interest would only be on the portion of capital paid up?—That is all.

1687. And the charge on the company would be the difference between the interest paid to the proprietors on the portion of the capital paid up, and the interest they obtained by the employment of the money?—That is all. I merely intended

intended to show that the proportions between the capital paid up and the nominal capital did not differ very much in the old and new offices.

1688. Mr. *Chambers.*] But if you include in the expenditure of the new offices the interest on capital, and do not include it in the expenditure of the old offices, that would account for the difference in the results?—I have included the same expenses in each case.

1689. I asked whether, with reference to the 21 old offices, you included the expenditure of interest upon capital, and you said, "No"?—I included all the expenses of the company.

1690. You have not seen them in detail?—I have not, but I understand it to mean the whole expenses incurred.

1691. *Chairman.*] What would go into the items of charge in each case would only be the difference between the interest which they paid and that which they received?—Just so.

1692. That interest would necessarily go into the expenditure of the company?—Yes; it would depend upon how they charged the account. I have not the means of ascertaining, with reference to the old or new companies, how the accounts are made up, but it seems reasonable to assume that they are made up on the same footing.

1693. Have you any means of knowing the proportion of the guaranteed capital of the 28 new offices that was paid up?—The whole 297,000 *l.* I was speaking of, was paid up; out of 20 companies, the nominal capital was 5,980,000 *l.*, and the amount nominally paid up was 713,000 *l.* I have no means of knowing how much was actually paid up. The total number of new offices is 64 proprietary companies, and of 28 of those, I give the proportion of the paid up capital; of 20 others I have given the nominal amount of capital paid up. In the 28 I have not necessarily included the whole 20.

1694. But the 28 companies to which you have been referring in these terms, had actually 297,000 *l.* paid up capital?—Yes.

1695. Whatever their nominal capital might be, that was their actual paid up capital?—Yes.

1696. Mr. *Chambers.*] Do you think those accounts, taking them as they are, enable you to form any accurate judgment as to the proceedings generally of the old and new offices, and as to the condition of any office at all? Would you risk 20*s.* on the accuracy of any opinion you could give on such a subject, on such materials?—Yes, I think so decidedly, at that time. If you were to ask me whether the companies taken altogether, were solvent at that time, I should say there was altogether a real deficiency in the value of the policies, there being only about 25,000 *l.* amongst them, or 7·53 per cent. of the premiums received.

1697. A real deficiency among 28 new offices, of 25,000 *l.*?—About that amount only remained; the value of the policies might be about 180,000 *l.*

1698. The average existence of those offices being $3\frac{4}{10}$ years?—Yes.

1699. Supposing you had to legislate upon this question, do you think the materials you have, and the inferences you could draw from such materials as they are, at all a safe guide for legislation?—No, I think not.

1700. *Chairman.*] Should you consider them sufficient to show that the amount of business done was inadequate to cover the amount of expenditure which you find to have been made by that large number of offices?—I consider that view may fairly be taken.

1701. Mr. *Chambers.*] But it is not necessarily inadequate, because there is 21 per cent. left still?—Twenty-one per cent. does not equal the value of the policies.

1702. Mr. *Muntz.*] Have you made any calculations for a longer period than $3\frac{4}{10}$ years, to see whether they had progressed for better or for worse?—No; I connect the whole together, to see the general effect; nor could I do so; with regard to the old offices, the comparison might have been made, but the object was simply to show the difference between the system at that time pursued, and what was at present pursued, forced perhaps by the difficulty of obtaining business; that the expenses are so greatly increased as at this time to render the payment of claims unsafe; as at this time to render those companies not solvent if you look at their position.

1703. Is there not a considerable difference between old and new offices with reference to the longevity of the population generally, since the old companies were established?—I have no reason to think so.

1704. *Chairman.*] Have you any reason to think otherwise?—I think the returns

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show that there has been an increase of longevity with respect to the population generally. I find, with regard to the lower orders, a very great improvement has taken place, and I should not be surprised to find that in well conducted friendly societies a change may be made for the better.

1705. Mr. *Chambers.*] Can you have an improvement among the lower classes without an improvement in the rate of the mortality generally?—No; but the improvement is not among the classes who assure their lives; assurances generally are not made among the friendly society classes.

1706. *Chairman.*] Have you any means in existence with reference to a sufficient number of lives, a sufficient number of years, to come to a comparative conclusion as to the different longevity of the present century among the poulation generally, as compared with the past?—I should think the Census Population Tables which are shortly to appear will be most valuable, and they will be able to give a perfect comparison.

1707. Are you aware that it has been stated to this Committee, that so far as regards lives from the period from birth up to 21 years, the value of life has been actually less since 1815, than it was before?—I had no opportunity of looking into that question; I consider the value of life from birth upwards is at present in a very uncertain state.

1708. Mr. *Mullings.*] Are there not tables which show, or at all events profess to show, whether correctly or incorrectly, the rate of longevity on the one hand, and the rate of mortality on the other, from the age of one year to 70 or 80 years of age, among 10,000 persons?—Yes, there are several tables of that kind; there are tables derived from the experience of assurance offices; one of the most important, perhaps, is that derived from the Equitable experience.

1709. Can you tell us what is the average rate of longevity among persons of 21 years?—I have here a little table which was extracted from the tables of experience of the mortality in the Equitable Society, showing at different periods of age, viz., between 30 and 35, between 35 and 40, and so on, an increase of mortality dependent on the number of years a party had been selected as an assured member. Between the ages of 40 and 45, the average mortality amongst all classes taken collectively was 1·14; between 45 and 50, 1·35, and so on.

TABLE, showing the MORTALITY per Cent. in the EQUITABLE ASSURANCE SOCIETY, between Quinquennial Periods of Age, out of 100 Persons existing at each Period, and admitted respectively at intervals preceding, increasing by Five Years.

Between the Ages of	Rate of Mortality on all Persons taken Collectively.	On 762 Persons Assured at the Age of 30.	On 743 Persons Assured at the Age of 35.	On 615 Persons Assured at the Age of 40.	On 470 Persons Assured at the Age of 45.	On 321 Persons Assured at the Age of 50.
30 — 35 - -	·77	·70				
35 — 40 - -	1·05	1·12	1·00			
40 — 45 - -	1·14	1·39	1·27	1·08		
45 — 50 - -	1·35	1·72	1·45	1·22	1·09	
50 — 55 - -	1·89	2·04	1·75	1·72	1·79	
55 — 60 - -	2·50	2·94	3·70	2·00	2·44	
60 — 65 - -	3·33	4·76	4·35	3·85	3·85	3·57

The result is, that the mortality in the society is less than the average in its earlier years, and greater the longer it continues, even out of persons existing at the same ages. It is a very important point as affecting new assurance companies, because the mortality which might appear very small to them at first will gradually at the same age become greater.

1710. *Chairman.*] That is, if it falls below the average at one time, it rises above the average at another, or else the average could not be maintained?—Just so. The tendency of the companies has been to assume that a diminution will take place in the mortality, as shown by the companies' tables now, and see the truth, unless we take the Equitable tables. The fact is, that there has not been

been so great an improvement in human life generally, but it has been the effect of selecting the best lives for assurance, and in future you must provide for an increased mortality as the society becomes older.

1711. Mr. *Mullings.*] Do you think that any sum approaching to 50,000 *l.* is necessary for the purpose of security?—As I mentioned before, I think no capital is absolutely necessary if a company is well managed from the beginning.

1712. In establishing a new company, what would your view be of the amount actually necessary to give security to the assured?—My view is, that no security is absolutely necessary if the company is well managed from the beginning; if the company is carefully managed, and does not spend more than 14 per cent. of its premiums from the first year, it would require no guarantee fund, and could carry on its business without one.

1713. What would be sufficient to provide such a guarantee fund as would afford security to the assured?—It depends so much on the proportion of the expenses to the premiums received; if the amount of the expenses is so heavy as to leave less than the value of the policies, a much larger guarantee fund must be provided than would be necessary under other circumstances.

1714. What, in your judgment, would be sufficient for the purpose of affording security to the assured?—I think, under all the circumstances of the present day, I should not like to require less than 50,000 *l.*

1715. *Chairman.*] Would one object be this, with reference to such a fund, that you should have a check upon those who are conducting the company, by their having a risk in the success of the company, so that if they found it impossible to obtain a sufficient amount of business at an adequate expenditure, they would have an inducement at once to stop the company, and sell their business to some other office, before they had gone so far as to make the loss irretrievable?—That is my impression. The necessity for a guarantee fund is to show that the parties have such a *bonâ fide* opinion of the probable success of the enterprise, that they are not afraid to risk that amount of money in carrying on the enterprise.

1716. Would so large an amount as 50,000 *l.* be necessary for that purpose; it would depend, perhaps, on the number of persons who had contributed?—Yes.

1717. Should the directors contribute?—Yes, I think so.

1718. Mr. *Chambers.*] Would you oblige the directors to contribute a certain proportion?—I think every director in that case should hold 500 *l.* of the guarantee fund, and that every officer of the company, except those who are paid, should contribute; the trustees, for instance.

1719. Mr. *Muntz.*] Supposing you made it necessary for every assurance office before it could transact business, to have a guarantee fund of 50,000 *l.* would not that be like giving an absolute monopoly to the present companies?—It seems to me if any new discovery were made in assurance, the guaranteed capital of 50,000 *l.* would not check the establishment of new offices, because the only difference is the excess of interest above what you get in the funds; there is no difficulty in establishing new companies when they are likely to be profitable, and the interest on 50,000 *l.* does not seem a very large sum to lay aside out of the profits if the company be well managed.

1720. *Chairman*] Do you not think that if you want to ascertain the *bona fides* of parties who wish to form an assurance company, it would be as good a test of that *bona fides* to provide that each person shall, for a short or a limited period, guarantee a certain amount of capital?—Not unless you define the persons who should commence the company; if you could have such careful persons that the premiums should pay the expenses and leave an adequate sum, I believe that would be sufficient for a time.

1721. If a person starting a new office were to insure his own life for 1,000 *l.* and pay the premium, would not that be as good security for his own *bona fides* in starting it, as if, instead of paying the premiums upon that policy of assurance, he paid a certain amount of the paid-up capital?—How could you guarantee that he would keep up his payments? Upon a policy of 1,000 *l.* he would not pay more at the average age than 35 *l.* down; now for a party to start an assurance company merely by paying 35 *l.* would be no check at all, as he would be assured out of that.

1722. You think a man might be willing to do that having no *bona fides*?—He might drop it after he made the first payment. If he made the payments for two or three years, it would be but a bad guarantee.

 1723. Would

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1723. Would not that secure *bona fides*?—No; a party starting a company and assuring himself for 1,000 *l.*, would not be a proof of a *bonâ fide* intention; the profits a proprietor would realise from others might be more than the 35 *l.*

1724. If he were to pay 10 years' premiums in advance, that would be sufficient?—Yes; if he would subscribe sufficient to make the largest share, the 50 *l.* shares I spoke of, the amount of his profits, I think, would be as adequate a check, assuming one-third of the premiums should be profits, because he would subscribe as much as would give nearly 120 *l.* in profits, which would be a check.

1725. Mr. *Mullings.*] Might not it be done in this way; that each party should be called upon to pay down a number of premiums at once?—It would not be equal to a guarantee independent of an assurance, because the money that is paid down in premiums probably would be spent in some extravagant way, and there would be no guarantee at all.

1726. Mr. *Chambers.*] It would not furnish the same security to policy-holders; my question was, whether it would not afford the same security for the *bona fides* of the parties?—Yes.

1727. Do you not think that the payment of 50,000 *l.* as a guarantee fund, would rather tend to encourage extravagance in the management of the business, and that the safety of the institutions, supposing it to depend on its provident management, would not be secured by a guarantee fund?—The guaranteed fund would be kept independent, and would not be capable of being used in expenses, and the parties subscribing would have a great interest in seeing that the expenses were not excessive.

1728. *Chairman.*] You propose that a guaranteed fund should be subscribed by the directors or managers of the company?—Partly; supposing there were 15 directors, it would be a material provision that the subscription should not be less than 50 *l.* a share, and 10 shares to be held by each, and the parties subscribing to that guarantee fund would probably contribute some portion of the capital as shareholders.

1729. Mr. *Cowan.*] In what way was the guarantee undertaken by the directors in the guarantee of your office?—It was merely an agreement together, that each of the promoters of the company (I am not sure whether they were all directors at the time) should, if necessary, provide 500 *l.* at any time, within five years from the establishment of the company.

1730. Was there a deed or written obligation?—Yes.

1731. Was that made known to the shareholders?—I believe not; I have not seen it in print.

1732. Has that guarantee been since withdrawn?—Yes, it lasted only five years; it was an agreement to provide 500 *l.* if necessary, within five years, but from the small expenses it was totally unnecessary to pay up anything.

1733. Mr. *Muntz.*] I suppose the whole object of a guarantee is to insure the payment of preliminary expenses?—No, to pay early claims, if any should fall in before there is sufficient in premiums to meet them. In the case of the Equitable there was rather a singular provision made: Mr. Morgan, in his history of the rise and progress of the Equitable Society, states that the charter fund proprietors, as they were called, or promoters of the society, 21 in number, represented themselves as having contributed to the formation of a fund towards providing for the expense of procuring a charter, and for other purposes relating to the society, and claimed in return 15 *s.* per cent. entrance money. In 1767 they were paid off by an annuity for 13 years of 25 *s.* per share, on a total number of 146 shares, the present value of which at 5 per cent. interest would, at the time of the conversion, be about 1,714 *l.* only; so that there was another instance of a society starting without anything more than what would be considered a guaranteed capital not paid up.

1734. Mr. *Mullings.*] The parties in those cases generally enter into covenants or contracts with trustees to be prepared to pay money when called upon, is not that another circumstance?—In modern times I think it is more usual to pay a portion of it.

1735. Mr. *Chambers.*] There are 15 offices, you say, which, judging from their prospectuses, do not appear to have a guaranteed capital?—Yes, 15 started since 1844.

1736. Do you know of any in which there has been such a guarantee by the directors or promoters, as that to which you have been alluding?—I am not aware.

1737. Is it not mentioned in the prospectus?—No.

1738. It

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1738. It is not mentioned in the prospectus of the Equitable?—No.

1739. Mr. *Cowan.*] Was the fact of your guarantee made public to the shareholders?—I am not aware.

1740. *Chairman.*] You have not the original prospectus?—I have not.

1741. And you do not know?—I think it was not.

1742. The deeds of settlement of all these new companies are registered in the Registrar's-office?—Yes, they are.

1743. The deed of settlement, at all events, would show whether there was any guarantee fund?—In that case it was not in our deed of settlement; it was a subscription made by the promoters themselves; it was not in the deed of settlement.

1744. Mr. *Cowan.*] You did not make use of it with the view of attracting business?—No; the business was made solely from the exertions of the gentlemen who started the business, and who were very careful of the expenses; as may be supposed from the fact that the total expenses in the first five years were under 14 per cent.

1745. Mr. *Mullings.*] You recommend that the guarantee fund should be paid up with regard to all new offices?—Yes.

1746. *Chairman.*] As a security for the *bonâ fide* intentions of the party?—Yes.

1747. That they will not carry on the business unless it is apparently profitable to the members—Yes.

1748. Mr. *Cowan.*] You consider that that would be quite as effectual as a deposit?—Yes.

Lunæ, 6° die Junii, 1853.

MEMBERS PRESENT.

Mr. Wilson.
Mr. Cowan.
Mr. Glyn.

JAMES WILSON, Esq., IN THE CHAIR.

Samuel Ingall, Esq., called in; and Examined.

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1749. *Chairman.*] ARE you an Actuary?—Yes, of 25 years' standing.

1750. Of what office?—The Imperial Life Assurance Company.

1751. What is the constitution of that company?—It is a proprietary company, now giving four-fifths of its profits to the policy-holders.

1752. When was it established?—In the year 1820.

1753. Was it established with a capital?—With a capital of nominally 750,000 *l.*, of which 75,000 *l.* was paid up.

1754. Actually paid up at that time?—Actually paid up.

1755. Has that capital been kept intact?—With the exception of about 84 100 *l.* shares now held by the company, as a matter of official convenience, the whole has been kept intact.

1756. Has the whole of the paid-up capital been kept intact?—Yes.

1757. Has it been added to?—It has been added to; it now amounts to upwards of 139,000 *l.*

1758. Then you have added a sort of reserved fund, a portion of the profits?—Yes.

1759. Do you think that a paid-up capital in the first instance is indispensable to the safe establishment of assurance offices?—Quite indispensable, in my opinion.

1760. But if an assurance office is conducted on sound principles, there can be no capital required for the business of the office?—If it be conducted on sound principles, and the expenses are very small, I do not think that any capital is necessary.

1761. And no capital will be required ultimately, if it is conducted on sound principles; that is, if its premiums are equal to its risks?—I consider that there

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should always be a reserve either by a paid-up capital, or a part of the profits, to guard against possible fluctuations in the mortality and rate of interest.

1762. But any capital of an assurance office which should ever be infringed ultimately, and in the long run, for the purpose of paying its liabilities, would imply that the business had been carried on at a loss?—Yes.

1763. Then what is the great benefit of a capital on the first establishment of an office?—I think it makes the managers of it more careful in their expenditure when they risk their own capital.

1764. You would require it more as a test of the *bonâ fide* intentions of the proprietors of the office, than as a fund from which the liabilities of the office would ultimately become payable?—In the first instance, I should.

1765. Have you any hesitation in saying, that the premiums and receipts of an office ought in the long run to be equal to its liabilities, without the aid of any paid-up capital?—I do not hesitate to say that they ought to be so.

1766. And that in any well-conducted office it would be so?—Yes.

1767. What, in your opinion, is the best test that would enable the public to judge of the relative security of different assurance offices; could you suggest to the Committee any test in the state of facts, with regard to the condition of assurance offices, which would be a safe guide on the part of the public in judging of the relative security of such offices?—I think there are several simple tests; one I heard mentioned by some of the previous witnesses, viz., that one-half of the premiums received on existing policies should be in hand at any future period.

1768. Then in any account which was published on the state of the office, would you suggest that one of the items of that account should show the amount of existing premiums, the amount of existing risks, and the amount of cash in hand?—Yes, the amount of premiums received on existing risks, with the other items.

1769. What proportion, in your estimation, ought the cash in hand, or the assets of the company, to bear to the existing liabilities of the office?—That would depend very much on the age of the office; I should say that the office should have one per cent. per annum on the amount of the existing assurances, up to about 20 years; that is, if an office has been in existence 20 years, it ought to have about 20 per cent. of the amount of the existing assurances.

1770. Twenty per cent. of the existing liabilities?—Yes.

1771. Not more than 20 per cent.?—I should think 20 per cent. would be sufficient, if the premiums were adequate and paid in full.

1772. That is one per cent. per annum?—Yes, on the existing assurances.

1773. What should you say for an office which had been in existence for 30 years?—I would say that after 20 years, if the premium fund increased one-half per cent. per annum, that is after the office had been in existence for 30 years, if it had 25 per cent. of the existing liabilities in cash, or in good securities, it would be sufficient.

1774-5. Would not a great deal depend on whether the office was obtaining much new business, or whether its business at the moment consisted chiefly of old policies which were becoming claims; would not a great deal depend on whether the amount of policies represented a large or a small proportion of new business?—My supposition is that it is a steady business. For instance, supposing an office were to issue 200 policies in the first year, and so go on for the first 20 or 30 years, then it should have about one per cent. per annum on account of its liabilities at the end of 20 years. No office, in my opinion, can be safe, that is not quite independent of all new business.

1776. Would not a good deal depend also on the character of the policies, whether they were for life, or for short periods?—I should say the bulk of assurances in an office is generally for the whole term of life.

1777. Is there not a much greater variety in the character of policies than there used to be, there being a greater number of temporary policies?—Yes, there is a greater variety.

1778. Would not the proportion of life policies to short policies, or temporary policies, interfere somewhat with that conclusion?—Yes, but I do not think there is so large a portion of temporary policies effected now as there was some years ago.

1779. You think a larger proportion of the policies effected are for life?—Yes, for the whole term of life.

1780. Are there any other general tests or facts which you would suggest to the Committee

Committee as being a proof of the condition of the society?—I think those two things would convey a very good general idea to the public; viz. the one per cent. per annum on the amount of the liabilities, according to the age of the office, and the amount of the premiums in hand paid on existing assurances.

1781. What proportion should that be?—I should say it would vary, according to the mode of valuing policies, between 47 and 53 per cent.; or I may say, 50 per cent. in round numbers, viz., one-half the premiums paid.

1782. In round numbers one-half of the premiums on existing policies?—Yes.

1783. Then you think that those two facts being published along with the annual accounts would be a tolerably faithful index of the condition of the office?—I think they would.

1784. Would you suggest to the Committee any test that would enable an actuary or a professional man to judge of the condition of offices; suppose a private individual were to consult his own actuary as to the condition of an office, would you suggest to the Committee any test that would enable him to judge, which a private individual would not have at his command?—I should consider it necessary, in order to speak positively as to the condition of the office, to have the amount assured at different ages, and the amount of premium payable on those policies, distinguishing the ordinary premiums from the extra premiums.

1785. Do you mean the loading?—Either the loading or the extra premiums for foreign risk.

1786. Do you mean the margin to cover expenses over and above the strictly necessary premium to cover the risk?—No, I mean the extra premium over and above the published rates of the office for the particular age.

1787. To cover what?—If the life had had gout, for instance, an extra charge is made.

1788. You mean an extra charge to cover special risks?—Yes.

1789. Mr. *Glyn*.] You are alluding to going to an unhealthy climate, or any risk of that kind?—Yes.

1790. *Chairman*.] What you would require would be a statement of the ordinary assurances, with the premiums payable upon them at different ages, distinguishing the cases of special risks?—Yes, those ages being the present ages of the lives assured.

1791. Will you proceed to say what, as an actuary, you would require?—I should require those particulars to be given for every year of age, or at least for every five years of age; I should then require to know from what table of mortality, and at what rate of interest the premiums were deduced, and also whether any additions by way of bonus had been made to the original sums assured. Those particulars having been given, would enable me to form an opinion of the solvency or insolvency of the office.

1792. You would also require a statement of the assets of the company?—Decidedly.

1793. You think those particulars which you have just enumerated would be sufficient for you, as an actuary, professionally to advise any person who might come to you for your advice upon the condition of any particular office?—Yes; it would enable me to say how much the society ought to have in hand to be in a solvent state; it would be for the party interested to compare my calculations with the amount of assets which the office possessed.

1794. Are actuaries pretty generally agreed as to the principles on which the surplus or supposed profits of an office should be arrived at, for the purpose of distribution among its shareholders as a bonus?—There appears to be a great difference of opinion among actuaries upon that point.

1795. It is a point not at all settled?—It is not. Some actuaries differ much as to what is surplus.

1796. But is it not one of the most essential things that the office, for its future security, should proceed upon some well-ascertained and safe principle in dividing its profits?—Certainly.

1797. And, in short, the security of the office may depend on whether it is properly or improperly reducing its assets on hand by division of profits?—It is a most important point to be settled.

1798. And yet that is a point on which actuaries themselves are very much disagreed?—Judging from what a few actuaries would call surplus, there is a very great difference of opinion.

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1799. Can you state to the Committee the chief grounds upon which you imagine that difference of opinion to exist?—In the statements of some societies, I observe that what is termed surplus exceeds the whole amount of the capital or assets of the society.

1800. You mean the assets, not the capital?—Yes.

1801. The money on hand?—Yes, and other securities.

1802. Do you mean they have a surplus stated larger than the whole amount of assets which they have to meet their liabilities?—Yes.

1803. Do they divide that?—Some do what is equivalent to dividing it.

1804. Suppose a loss were to occur next day, how would they pay it?—By distributing the surplus over the whole duration of life its effect is very insensibly felt for many years.

1805. Mr. *Glyn.*] At any rate they make their division upon it?—They make their division upon it.

1806. *Chairman.*] If it does not cause an inconvenience at the moment, it must nevertheless cause some amount of loss ultimately?—In my opinion, next to an improvident expenditure, it is the most dangerous practice that can be resorted to in an assurance company, and is generally adopted in offices where there is a deficiency of assets.

1807. You mean the division of excessive bonuses?—The premature return of what is in modern times termed profits or surplus.

1808. Can you give the Committee any account of the mode in which such calculations are made to lead to such deceptive conclusions?—There are several modes by which the same end may be attained; suppose, for instance, an office were to adopt the premiums deduced from the Northampton tables of mortality at 3 per cent. interest, and in making up its accounts should take another table of mortality representing life as of much longer duration; it would, in many instances, produce what actuaries term a negative value to the policy; that is to say, it would make the value of the future premiums very far exceed the value of the reversionary sum which the office is bound to pay.

1809. Would that not be a palpable error for an office to conduct its business in one department on one set of tables, and for the purpose of calculating profits take another set of tables; would not that be a manifest departure from sound practice?—I consider it is, but it is a plan rather frequently adopted now-a-days.

1810. Then by that means the office would take credit for a more favourable set of tables than they used in calculating their risks?—Yes.

1811. But provided the tables they used for calculating their position at any particular moment were the true tables, would that bring out any erroneous result; suppose the Northampton table was a favourable table, although they might charge their premiums in the first place according to the Northampton tables, if they take what may really be a more correct table to estimate their liabilities at any particular moment, would that necessarily lead to an erroneous result, provided they do not include their future profits in their estimate, and provided they make a sufficient allowance for the portion of their premiums which is called loading, or a margin for future expenses and contingencies?—If the office includes in the amount of its receipts the whole of the loading, and proceeds to distribute its profits upon that principle, even if a correct table of mortality has been taken in the first instance to deduce the premiums from, it would produce the same results.

1812. Is it not customary for offices to reduce their rates of premiums from time to time?—Yes.

1813. Then suppose an office established in 1810, and going on for 20 years until 1830, at one rate of premium, and then finding they were charging a higher rate of premium than was necessary; and being obliged by competition to reduce their rates in 1830 to a lower scale, would it lead to any erroneous result, if they were from that time forward to calculate their position at any particular moment, all their tables being made on the reduced rate of premiums, although it would involve a great number of risks or liabilities, undertaken at a higher rate, viz., the old table; would the difference between them not be fairly profit?—A careful actuary would always make allowance for any reduction in the premiums. The amount of premium already paid has less to do with the value of the policy than may at first sight appear. If, as you suppose, the office had gone on for a given number of years taking a certain rate of premium, and then for the future should take

take a lower rate of premium, that would increase the present value of the policy; and, therefore, whether you have the sum in hand, or receive it annually in future, it would come to the same thing in the end, when many cases are involved.

1814. But in estimating the condition of an office which had lowered its premiums to a rate which kept it safe, but considerably lower than it had charged before, they would surely be justified in estimating the whole of their risks at the reduced rate, or more favourable terms on which the reduced rates were computed; and so far as all the old policies at the higher rates were concerned, there would be so much profit in the hands of the office?—They would have had the profits for a time, but, in all probability, that profit would have been distributed among the policy-holders and be gone.

1815. I do not mean that they shall reduce at that time the premiums on existing policies; I only mean that they shall reduce at a particular moment the premiums on the new business, the old policy-holders still continuing to pay according to their contract at the old rates; the difference, that is, the margin between the new rates and the old rates, would eventually be taken as so much profit in the hands of the company, might it not, always supposing that the new rate is a safe rate?—Understanding that the old members are to continue paying the higher rate, and the new members are to come in at the lower rate, in that case you would have to reserve as the value of your policies a larger sum on the policies of new members, than you would on the policies of the old members; that is the difference it would make.

1816. There would be a larger margin which you could annually dispose of in the shape of profit or something else?—Yes.

1817. And, therefore, it would not necessarily follow that, because you had computed your risks on the Northampton tables, or any specific tables at one time, in valuing your condition at a particular moment by another table, so long as that was a safe table, it would lead to an erroneous conclusion?—Not without you include the whole of what has been termed loading as representing profit; that is the great danger to guard against.

1818. My question in the first place took that into account; I said, supposing a sufficient deduction had been made for the loading or margin, for expenses in future from the premiums?—Yes, if you throw off the loading, you reserve a sufficient sum for expenses.

1819. In fact, at any particular moment, altogether irrespective of the conditions on which policies have been originally granted, the office is justified in computing its existing condition according to the actual risk and the best tests of life which they can obtain, provided they do not include in their future assets any portion of the margin set aside for loading or expenses?—That is precisely what I mean.

1820. Mr. *Glyn.*] What would be the criterion of that first test?—They take the Northampton table in the first instance, and then they adopt another table, by which they are making their calculations; what is the criterion of that other table; is it their own experience only?—It may be their own experience only, or it may be the combined experience of a number of offices.

1821. Would you consider their own experience only, a safe test?—I should not, except it be a large office like the Equitable.

1822. *Chairman.*] Of course, it is then assumed that the rate at which the risks were computed at that time was a sound one?—Yes.

1823. All I ask is, whether it does not follow, as a matter of principle, that although the risks have been taken at one rate, they may afterwards be computed at another?—Certainly; we have done it in the office I belong to.

1824. Does not that uncertainty and difference of opinion among actuaries, with regard to the mode of calculating surplus or profits, introduce a most uncertain element into the existence of all offices that divide bonuses?—Very much so.

1825. Is the uncertainty such with regard to existing offices altogether, that in your estimation as an actuary you would say there is a future element of great danger in that uncertainty?—No, I consider that a very large proportion of the offices act on very sound and safe principles.

1826. Suppose that an office were dividing profits on an erroneous principle, would they not in a very few years, from the state of their assets compared with their liabilities, discover they were going wrong?—They might discover it themselves, but they might conceal it from the public for a great many years; that is to say, an office actually dividing more than it could afford, might go on with a moderate

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moderate supply of new business for nearly half a century before the funds actually failed.

1827. Suppose you had every year a return of the amount of liabilities of such an office, and the amount of their assets, would you have any difficulty as an actuary in saying that the office was going wrong?—No; you would very soon see it by the comparative amounts.

1828. You would see from the exhaustion of their means in proportion to their liabilities?—Yes.

1829. Such returns as you have already indicated or suggested might afford sufficient information for the purpose, with reference to any office?—I think so.

1830. When you see the returns of an office, and the accounts laid before a meeting of proprietors, have you any means as an actuary of judging for yourself whether the supposed surplus is real or imaginary?—I should say they would be sufficient to show whether the office was going on in what I considered a safe way or otherwise.

1831. Will you explain by what means you would arrive at that point?—If the assets bore a very small proportion to the amount of the outstanding liabilities, I should have no hesitation in saying that the office would not ultimately be able to fulfil its engagements.

1832. But with regard to a supposed surplus, what means have you for saying at once that the presumed surplus is real or imaginary, framed on an accurate or inaccurate basis?—If the surplus exceed the assets, or is a very large proportion of the assets, that would lead an actuary to suppose that there must have been some manœuvring to produce that result.

1833. When you see a statement of that kind, can you generally tell whether the calculation is based on the gross premiums to be received in future years, or on the gross premiums having been subjected to the proper deduction for future expenses?—I could very soon discover it.

1834. There is something about the account that would indicate that, is there?—Yes.

1835. Would an ordinary person, not an actuary, be able to discover that from the way in which these accounts are laid before the proprietors generally?—I do not know that a person who has not given some attention to the subject could do so, but a person not an actuary who is acquainted with such matters would soon discover it.

1836. You mean a person with an actuary's knowledge?—Yes; if the office had been in existence 14 years, and he saw that the assets only amounted to one year's annual income, there could be no doubt of the unsafe position of that office.

1837. You think the proportion which the expenditure bore to the premiums received would be a test of the condition of the office?—That is a very important point. I should say that if the expenses of management be more than one-sixth of the amount of premiums for any length of time, the office could not be said to be doing profitably; and if the expenses amounted to one-third of the annual premiums, I should say it was going on in a very bad way.

1838. If the expenses exceeded 16 per cent., you would say they were hardly doing a profitable business; but if they exceeded 33 per cent., you would consider that they were doing a very disastrous business?—Yes.

1839. You say within a certain time; what time would you consider would afford a fair indication of that fact?—Say after an office has been in existence seven or ten years.

1840. Then you would consider it a very important element of any account to be annually returned, that the amount of premiums should be clearly set forth, and the amount of all expenditure clearly set forth?—Yes.

1841. Have you any particular form of account in which you would place those elements you have mentioned, which would be in your mind more clear than another, and enable the public to judge of the condition of offices?—I think the return of a few simple facts would be better than any stated form of account; viz. the total amount of the liabilities of an office, the total amount of assets, the amount of annual premiums, the amount of annual expenses. If those few facts were given for different offices, and the offices were arranged chronologically, I think the public would be able to form a very good idea of the relative safety of different offices.

1842. Should

1842. Should you propose a statement of those various elements in preference to a debtor and creditor account of the office?—I should myself.

1843. Suppose you had these facts, viz. the age of the office, the tables of mortality, which they used, the rate of interest on which they calculated their risks, the loading or margin which they added to the arithmetical premiums, the amount of their total liabilities at the time, the amount of their premiums received, the amount of their assets, distinguishing the separate amounts invested in different ways, the amount of their liabilities divided into periods of five years, the ages arranged so as to distinguish the ages of the parties assured, and the amount of their premium; do you think that with some general statement of that kind you would be more satisfied than with any debtor and creditor account that could be framed?—Yes; I should always require the ages of the parties at the time of making up the statements.

1844. Would you add anything to the items I have enumerated?—I think they seem to be sufficient.

1845. Do you think that with all those plainly set forth in an annual report or statement, you would be enabled to form a pretty good notion as to whether, generally speaking, the office was going on well or not?—Yes, I think so. There was a very good form given some years ago by the Equitable Society; I do not know that you could much improve upon that.

1846. Does that form of the Equitable Society require a statement of all these elements?—Yes.

1847. Mr. *Glyn.*] It does not include all those elements, I think?—Those which are not included are known to exist, such as the table of mortality, and the rate of interest.

1848. *Chairman.*] That account does not profess to give any account of their assets and liabilities, but they give the broad facts?—The account I allude to only gives the broad facts; in another form they give a debtor and creditor account.

1849. Mr. *Cowan.*] Do you consider it important also that the company should furnish an account of how their funds are invested?—Yes, I have already stated so; distinguishing the different funds in which their assets are invested.

1850. And the rate of interest?—Yes.

1851. *Chairman.*] According to your experience, what should you say was a fair margin for the loading, and a fair deduction from the annual premiums charged?—I should say from 15 to 20 per cent.

1852. Mr. *Glyn.*] That is to cover expenses, not casualties?—To cover expenses. I consider the public have very exaggerated notions of the profits on life assurance; and those profits are not likely to be so great for the future as they have been formerly, because the interest of money is lowered, and there are not so many policies discontinued for which no consideration is paid, and the business in most offices is carried on at a greater expense now than formerly. Those things will, in my opinion, tend very much for the future to diminish the disposable surplus of a company.

1853. Does not, in point of fact, the great profits of a life office arise from the difference in the rate of interest between the calculations of the premiums, and the rate at which the money is employed?—That forms one source of profit, and perhaps it may be considered the principal one, but I consider there are other sources which, in the long run, would be quite equal to the profits arising from the difference in the rate of interest.

1854. Do you mean by a careful selection of lives, or what particular point do you allude to?—One is a careful selection of lives; another is, that when the policy is surrendered, the office does not give the whole amount which it would reserve as a matter of security, and the proportion returned varies very much in different offices; perhaps it would vary between 20 and 60 per cent. on the amount of the premiums paid.

1855. *Chairman.*] But in estimating the position of an office at any particular time, have you not heard it stated formerly, that a discontinued policy, instead of being a source of profit, would be a source of loss, inasmuch as the future profits would form no part of the nominal assets of the company?—Yes.

1856. What is your opinion upon that point?—I quite agree with what the witness stated; but that supposes the office produces a surplus by the erroneous method before mentioned, of putting down the premiums at a greater value than the sums assured.

1857. You would be very glad, I suppose, at any particular time to get rid of

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any risk, on the condition that you should keep all the premiums that had been paid?—Yes. In our own office, if a policy were dropped by inadvertence, then the value of that policy, which we should reserve, would be a gain to the company; but if the office anticipates its future profits, and not only includes those profits among its assets, but includes all the future expenses, as part of the assets, then the office would decidedly lose by the dropping of an assurance.

1858. You mean they would lose on the face of the account?—On the face of the account.

1859. But they would not lose in reality; they would be actually gainers in reality, but they would lose on the face of the account?—They would lose on the face of the account, by the imaginary surplus being diminished.

1860. Then of course you must be of opinion that all these erroneous calculations are made with reference to surpluses which they are dividing upon those calculations; where there is any very large portion of the premiums expended in conducting the ordinary business of the office, it must be impossible ultimately for such offices to pay their claims when they become due at death?—Certainly, quite impossible.

1861. Are you apprehensive that there are many offices in that position at the present time?—There are too many, decidedly.

1862. Have you watched the accounts which were published under the Act of 1844?—I looked at them when they were first published, and I took the trouble to take out certain particulars.

1863. To your mind, are these accounts generally satisfactory, so far as they furnish means of information to the public?—I think there is a great deal of useful information given in those accounts, although they are made up in various forms, and it requires a great deal of trouble to unravel them.

1864. And a great deal of technical skill and knowledge?—I think any accountant could do it.

1865. Any professional men?—Any man ordinarily acquainted with accounts would be able to take out what had been received, and what had been expended, and class them under different heads.

1866. Do you think they are in such a form as they ought to be when Parliament requires accounts to be furnished; are those accounts in such an intelligible form as you think ought to be furnished to the public, in order that they may have a clear knowledge of the condition of the office?—I think there is one material defect in those accounts; that is, the amount of the existing liabilities is not stated.

1867. They do not state the amount of liabilities?—No; but the Board of Trade have power, under a particular section of that Act (17th), to call for an amended return, and I consider that for the future that defect might be remedied.

1868. If the Board of Trade have that power, have they any means of enforcing it; are you aware whether such a return can be enforced if called for?—I am not. If they could not enforce that return, I think they could not enforce similar returns to those now given for the future.

1869. Are you not aware that the Registrar of Joint Stock Companies has stated that he has no means of doing that?—I was not aware of that; I did not hear the evidence upon that point.

1870. Mr. *Glyn.*] I observed you stated, that the original capital with which the Imperial Company commenced was 75,000 *l.*?—Yes.

1871. And you have doubled it, I see?—Nearly doubled it.

1872. That was the money of the directors, and they deal with it if they think necessary for the general security of the assured?—They were compelled, by their deed of settlement, to add one-third of the profits made by the business at the end of each 10 years to the subscription capital, and that was done on two occasions: first, at the end of 10 years; next, at the end of 20 years; so that on the two first occasions a sum was added to the original paid-up capital. Since then they obtained an Act of Parliament to enable the company to make a different appropriation of its profits; and on two occasions, which were quinquennial divisions, they have given the proprietors' share of the profits in the way of an increased dividend or cash bonus.

1873. Was that originally intended as a sort of guarantee fund to the assured?—Decidedly so.

1874. And yet Parliament allowed you to dispense with that imaginary precaution when you applied for your Act?—Yes, under certain restrictions.

1875. The

1875. The Imperial Company does fire business also, does it not, to a very large extent?—That is a distinct company.

1876. You do not keep your accounts together?—No, they are distinct companies. The Imperial Fire Office was established in 1803; the Imperial Life Assurance Company in 1820.

1877. They are distinct companies altogether?—Quite so.

1878. When did you obtain that Act of Parliament you spoke of?—In 1841; it was for enabling the Imperial Life Assurance Company to alter the mode of appropriating its profits, and to regulate its legal proceedings.

1879. Mr. *Cowan.*] You have informed the Committee that you conceive that, in order that a company shall be able to meet its obligations to the public, it should be able to show one per cent. per annum of the premiums up to 20 years?—Yes.

1880. Am I correct in understanding that you conceive that the same rate should go on progressing beyond 20 years; take the case of 40 years, for instance; do you conceive that at the end of 40 years an office ought to be able to show assets corresponding to 40 per cent. of its existing liabilities?—It would be highly satisfactory if the office could show that per-centage, but I should not consider it absolutely necessary to its safety.

1881. There must be a limit, of course, where the rate must cease?—Yes, at the end of about 30 years the claims will come in pretty freely; the old assurances will be paid off, and their place will be supplied with new.

1882. *Chairman.*] Did not you state, in the former part of your evidence, that you considered 20 years about the limit; and when you were asked about 30 years, you said about 25 per cent. should be the limit?—Yes, I should consider that if an office which had been in existence 40 years, had 30 per cent. in hand, it would be sufficient.

1883. Mr. *Cowan.*] Reference has been made to the accounts given in, under the Act of 1844; do you conceive that if in lieu of the accounts which are now eturned, which are exceedingly meagre and vague, an account as indicated by the Chairman, under different heads were substituted, it would afford a greater amount of security, or at all events a much greater amount of satisfactory information on the subject?—The information would be much more satisfactory; at the same time I think it is desirable not to make any accounts which are required troublesome or vexatious to offices.

1884. I understood you to say, that what you would desiderate was not actual accounts, but information under the various heads which the Chairman's question indicated?—Yes.

1885. That would not necessarily be troublesome, I apprehend, giving that information; every office ought to be enabled to answer questions on those various heads, according to its last annual balance-sheet?—If an office were required to give the amounts assured at every particular age, it might cause a great deal of trouble. Some offices, and that I consider to be the best plan, value every policy separately, and then there is no necessity for classifying them according to the ages of the lives assured. Other offices, again, who are particular, will do it both ways; they will value the policies separately, and also class them into ages; that is the plan I adopt in my own office; therefore in my own office it would not be a great deal of trouble to make such returns.

1886. If the information were given by the offices at the same time, you would have an average, and the average would be pretty nearly the same in all offices; I mean the whole existing amount of assurances at any given period, for instance; that would be sufficient, probably, to give the information, comparing one office with another?—Comparing one office with another would give a good general idea of the relative security of different offices.

1887. *Chairman.*] Have you any means to suggest to the Committee, by which to test the accuracy of such returns, if made?—I think the best security is in the character of the parties giving them. I think it would be certainly more satisfactory to see the assurance interest managed by parties in a superior station of life to many who now carry on the business.

1888. Mr. *Glyn.*] Is it possible, in fact, to prevent frauds, if people are determined on practising them, in the case of life assurance?—No, speaking generally, it is not.

1889. It is a question of character, is it not, more than anything else?—I consider so myself.

1890. *Chairman.*] Obviously, one of the most important points of these various

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accounts you have suggested, would be the quality of the assets?—That would be one.

1891. Would a general description of the mode in which the monies were invested, such as I suggested, be sufficient?—I think we have no reason to suppose that persons would intentionally invest their money in bad securities.

1892. Have you no reason to suspect that persons who have been promoters, and connected with the conduct of the establishment, might in assurance offices, as they have done in many other offices, injudiciously, perhaps, in the first instance, invest the money of the concerns which they were placed over to manage in undertakings in which they were themselves interested, but which were very unsafe for the proprietors?—I think the funds of an assurance office should certainly be restricted to specified securities; it should not be in the power of the managers to invest in any security they thought fit; they should be confined to mortgages, Government securities, railway and other debentures, transferable securities of corporate bodies, and a few securities of that kind.

1893. "Mortgages" is a very large word; might not that word involve an immense abuse of the funds of the society?—That is possible.

1894. Mr. *Glyn.*] You would not let them invest in their own shares?—Not to a great extent as an investment.

1895. Mr. *Cowan.*] Would not you allow them to invest on personal security in any case?—I should say not, as a general regulation.

1896. Is it not the case that that is done by some offices?—It is done for a limited time, and I do not know that the offices who have adopted that plan have suffered much by it. I think the grand thing is for the managers of the office to have a sufficient pecuniary stake, over and above the premium fund, to make them cautious in what they invest their money. In fact, I should like to add, with regard to capital, that the amount should be very much in proportion to the liabilities undertaken; I think that 50,000 *l.* should be the smallest sum which a society should commence assuring lives with.

1897. £. 50,000 subscribed capital?—Paid-up capital.

1898. *Chairman.*] Paid up by whom?—By the policy-holders or shareholders; if it were a proprietary company, it would be divided into shares; but even in a mutual society, I consider that 50,000 *l.* should be paid up in some way as a guarantee fund.

1899. Mr. *Glyn.*] Before they begin business?—Yes, before they begin business.

1900. *Chairman.*] If your object is to have a check on the managers, which check would only be *pro tanto* the proportion of risk the managers had, what share would you propose of the 50,000 *l.* should be subscribed by the managers, or those who had the conduct of the society?—A large proportion of it ought to be subscribed by them; say 20,000 *l.* I think that the directors should hold a stake of 20,000 *l.* in whatever is given as a guarantee fund.

1901. As a motive for good management, the larger the proportion of the paid-up capital held by the actual managers of the society, the better?—Yes.

1902. Is it your opinion that it is absolutely necessary, as a test of the *bonâ fide* intentions of the parties commencing assurance offices, that they should be called upon to pay up a certain sum of money of their own, and which would be at stake upon the failure or success of the society?—That is my decided opinion. I consider there are two periods when capital is necessary, either in a mutual society or in a proprietary company; viz., at the commencement and at the termination of the society; and as to the sum, I should say it ought to be 50,000 *l.* at least; for I consider no life assurance office deserves the name which has not a fair prospect of issuing policies to the extent of one million pounds sterling; therefore 50,000 *l.* would only be five per cent. on that million. If it aspired to do what one office has done within the last 30 years, that is, create a business of ten millions, I think one million subscribed capital and half a million paid-up capital would not be too large for that business.

1903. Mr. *Glyn.*] Would you have the subscribed capital going on in an increasing ratio, going on with the increase of business?—I think so.

1904. *Chairman.*] How would you propose to pay the interest of that subscribed capital?—I think there would be no difficulty in that.

1905. On what principle would you propose that the shareholders or proprietors of that capital should be paid for its use?—A small proportion of the profits; for instance, one-fifth of the profits, might be assigned at the commencement.

1906. Over and above the specified rate of interest?—I would not allow any interest to be paid on that capital, beyond what the capital itself produced. In our own company we are restricted to only paying a dividend equal to what the invested capital produces.

1907. Then if you invest your capital in the funds, you only pay 3 per cent.?—We only pay 3 per cent., or whatever the investment of the capital produces.

1908. But over and above that interest (the question having reference to that) you would entitle such proprietors to a certain share of the profits?—Yes.

1909. So as to raise it to some rate of interest that would make it worth their while making the investment?—Yes, out of realised profits.

1910. Then would not that be a considerable charge on the success of the business, to have so large an amount of paid-up capital necessarily invested at a low rate of interest?—I think not; I have heard it said, that capital is a burden rather than a benefit to an assurance company, but I never could believe that myself.

1911. At all events, you think it is an additional security to the assured?—Most decidedly I do.

1912. But the great object in having a capital, in your estimation, I understand, is really at the first starting off of the society; first of all, as a test of the *bonâ fide* intentions of the parties who embark in it; and, secondly, as a security to the public (they having themselves a risk in it) that security will be attained; as men are more likely to proceed cautiously with reference to their own property where they have a risk, than where they have not?—Yes, that is the object.

1913. Mr. *Cowan.*] Would not that have the effect of preventing the establishment of any mutual offices, simply so called? If you require that in mutual offices, that is, societies who merely require the parties to contribute their annual premiums, would not it militate very strongly against the establishment of all such offices, and would not it have prevented the establishment of all the existing mutual offices, many of which have been successful without having any subscribed capital?—I do not think it would seriously affect the establishment of good mutual offices; but during the last 20 years there has been a great change in what has been termed "mutual life assurance." In fact, I consider it a term very much misapplied, and I consider that the public do not see the risks of mutual life assurance in the light in which I am afraid they will see it half a century hence, and probably much sooner, if modern practices prevail.

1914. A great many of the proprietary offices have become mutual offices, in so far as they give off to the assured a large portion of the profits?—Yes; they partake more of the mutual principle, giving additional security to the assured.

1915. But only so far as they divide their profits with the assured?—Exactly; there is this difference between a proprietary company and a mutual society; in a mutual society, the premium funds alone are liable, but in a proprietary company, the proprietors' capital is also liable; and no proprietary company, in my opinion, which had 50,000*l.* or 100,000*l.* at stake, would go on in a state of insolvency; but many of the older members of mutual societies are interested in carrying on the society after it has become decidedly insolvent.

1916. Why should they be interested?—The society may last long enough to pay the claim of a man 70 years of age, and may be kept on by inducing young men to join it.

1917. *Chairman.*] You stated that your subscribed capital was much larger than your paid-up capital?—Yes; ten times the amount.

1918. Are the propietors of your company liable in the case of its being required to the whole amount of their subscribed capital to the assured?—Yes.

1919. Other funds failing?—Yes; the premium fund is the first fund that would be resorted to; when that is exhausted we should have recourse to the paid-up capital, and if the paid-up capital should fail to pay our claims, then we should call upon our proprietors for 90 per cent more, or any sum required.

1920. Then there is an absolute risk on the part of the proprietors for the whole amount of the nominal capital?—Yes; and the directors are excessively particular in not admitting any person as a proprietor, if they suppose he is not able to pay the full amount subscribed for. No party can hold more than 40 shares, which represents 4,000*l.* in stock; and we ascertain in the best way we can whether a person who wishes to buy 40 shares could pay 4,000*l.* if required.

1921. Mr. *Glyn.*] You consider that a permanent liability on the proprietors?—Yes.

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1922. *Chairman.*] And it is at your option whether you permit a proprietor to transfer his shares or not?—At the option of the directors; if a proprietor wants to sell his shares, and cannot find a responsible person to take them, the directors could refuse to sanction the transfer.

1923. And he must continue his liability?—Yes.

1924. Mr. *Cowan.*] Do you give any portion of your profits off to the assured?—Four-fifths now; we gave two-thirds in the first 20 years.

1925. I presume the proportion which has been given off has been gradually increasing in many companies, owing to the increased competition?—Yes, it has.

1926. Do you happen to know what is the largest proportion of profits that is given off to the assured in any instance within your knowledge?—I have seen it advertised in one case that 19-20ths are given; others again state 9-10ths.

1927. Are there any other observations on this subject you would wish to make?—The returns ordered by the Act of 1844 were referred to just now; I find that in 28 offices the returns were sufficient to enable me to take out these particulars; viz., the amount of share or guarantee capital and loans; the amount received in premiums and for annuities; the amount received for interest; the amount paid for dividends and interest; the claims and returns; the expenses; the cash and other assets. I find that 318,917 *l.* has been received for shares, and for guarantee capital and loans; that 420,499 *l.* has been received in premiums and for annuities; and 29,383 *l.* for interest. That 16,829 *l.* has been paid for interest and dividends; 88,347 *l.* for claims and returns; 289,440 *l.* for expenses of management; 33,887 *l.* cash in hand at the time of making up the account; and 340,296 *l.* in other assets. That makes the total of receipts and expenditure 768,799 *l.* I find the expenses on the amount received in premiums and for annuities were 68 *l.* for every 100 *l.* I find the highest expenditure by any one office was 264 per cent. on the amount of premiums and annuities received, and the lowest expenditure 30 per cent.

1928. *Chairman.*] That is, of these offices to which you have referred?—Yes, of these 28 offices.

1929. The average expenses being 68 per cent.?—The average being 68 per cent. on the receipts.

1930. Mr. *Glyn.*] How long have they been established; what is the date of the first?—The first account is dated in July 1845; and the last account in May 1851.

1931. *Chairman.*] Then all the offices have not been in existence during those six years?—No, they have not.

1932. They are of various ages?—Yes; I see there are three commenced in 1845; seven in 1846; five in 1847; seven in 1848; and six in 1849.

1933. Mr. *Glyn.*] There are no particulars whatever to elucidate that last column given, the column of assets, I suppose?—Some of them are given in the returns; it is stated, by so much in mortgages and in other securities.

1934. There are no items to show the amount of liabilities?—There are no items to show the amount of liabilities.

1935. *Chairman.*] Is that up to the year 1851?—Yes.

1936. Mr. *Glyn.*] That very essential head of particulars is altogether wanting?—Yes. The average expenditure in 14 of the offices, where the expenses of management exceeded the receipts from premiums and annuity money, was 141 per cent.; and in 14 offices, where the expenses were less than the receipts from premiums and annuity money, the average was 50 per cent.

1937. *Chairman.*] You stated one in which the expenditure had been 264 per cent.; when was that established?—In the year 1851.

1938. Then if it was established in 1851, it would only have incurred its preliminary expenses, and have had no time to get into business; therefore it would be very unfair to take that: you could derive nothing from the fact that its expenses had been 264 per cent. of its income at the very moment of its being established?—The preliminary expenses in former days were comparatively trifling.

1939. The last account you have is May 1851; I suppose that office must have been established a month or two prior, or not more than two or three months, at all events, before that account was made up, and therefore they would really have had no time to receive premiums, while the preliminary expenditure must necessarily have been incurred?—Yes.

1940. Is the amount of their premiums given there?—I find it was in August 1849 that the office was established; the account is made up to February 1851.

1941. Mr. *Glyn.*] Is that a mutual assurance company?—I do not know; if it is a mutual assurance company it has a guarantee fund.

1942. *Chairman.*] When was that account made up to?—February 1851.

1943. Then it had been only a year and a half in existence?—Yes.

1944. Had it a guarantee fund paid up?—It had.

1945. Is it true that there are many old proprietary companies in which a condition is inserted in the policies confining the liability of the companies to the funds in hand?—In our own company there is a clause in the policy stating that the capital stock and funds of the company shall be alone liable.

1946. That is, confining the liability of the proprietors merely to the nominal shares which they have subscribed for?—Yes.

1947. I asked you whether there was a clause confining it to the funds in hand?—I am not aware of any proprietary company which has that clause.

1948. Are you aware that mutual societies have such a clause?—Yes.

1949. Almost invariably?—Invariably, I should say.

1950. Does not that, in your estimation, destroy altogether the virtue, or implied virtue, of mutual associations?—I think it does, unless they act very prudently, as they do in the Equitable, where they set aside, at the last rest, upwards of one million pounds sterling, which they might fairly estimate as surplus.

1951. Then, according to that, the term "mutual" refers only to mutual advantages; it does not extend to mutual disadvantages?—I think so.

1952. Mr. *Glyn.*] Does that render it more necessary to have some reserve fund subscribed at first?—It does.

1953. *Chairman.*] There is a mutual chance of gain, but not a mutual liability to loss?—Just so. The early claims may be paid and the others not, when the premium fund is exhausted.

1954. Is it not the impression of the public that a man assuring in a mutual society has the guarantee of the society for any claim he may ultimately have?—I think that is the impression on the public mind generally; but on reference to the practice, it will be found that the funds alone of the society are liable.

1955. Would that, in your opinion, render more necessary a guarantee fund of some kind or other against loss in the early stages of such a society?—Most decidedly, and at all other stages.

1956. Do you believe it is common in the old proprietary companies that the proprietors generally are liable to the full amount of their subscribed shares?—Yes; and some even beyond it.

1957. Some even without limit?—Some even without limit.

1958. Is there any other point to which you would call the attention of the Committee?—There is one subject I would like to mention with regard to mutual societies; if they make a premature division of their funds they may bring themselves into a very disastrous condition; that is, if they consider as surplus the whole amount of assets they have in hand, which is the case in some. If it does not bring them into absolute insolvency, it will create great disappointment when they have to call on their members to pay the full premiums, and very great distress will be occasioned.

1959. What do you mean by calling on the members to pay their full premiums?—The mutual societies, which make the value of their future premiums exceed the value of the sum guaranteed, generally distribute their surplus by a reduction in the future premiums of members; and that reduction is sometimes very large, as much as 50 per cent. in some offices, after five moderate premiums have been paid; but the members are still liable to pay the full annual premium stated in their policies.

1960. Do they not usually give them the option either of a reduction of premiums, of an increase of the sum assured, or of receiving money in hand?—No; but I think nothing ought to be termed surplus but what can be applied in any one of those three ways. Of course, if the society declare a surplus exceeding the amount of assets, it would be impossible to pay it down in cash.

1961. Suppose it were to be made a condition that nothing should be treated as profits that was not capable of being paid in cash, would that be a wholesome regulation?—I think it would be a very wholesome regulation.

1962. With all assurance offices?—Yes.

1963. That they may be dealing with nothing except what they are bound to pay?—Yes.

1964. That they shall distribute what they assert to be surplus?—Yes. I consider

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sider that a society practising deception may go on for perhaps 50 years, and at the end of that period be unable to discharge very nearly one-half of its present liabilities.

1965. Do you consider that life assurance has been sufficiently long practised in this country, in the varieties of forms in which it now exists, to have been worked out to a satisfactory conclusion as a proof and evidence of the soundness of the principles on which they are established?—I think not; a sufficient time has not elapsed fairly to decide upon the different systems of life assurance now adopted.

1966. Then you think at present that we have not sufficient information, knowledge, or experience, that would justify our adopting a great number of the rules which are assumed to be absolutely true?—I think not; life assurance is a business of a very deceptive kind, and differs from all other kinds of insurance; if care be taken in the selection of lives, the mortality for a number of years will be very low, and if the office attempts to divide its profits, assuming that that low rate of mortality will continue, its members will be wofully disappointed at a future period.

1967. But an office must always have within itself the means of appreciating, from such circumstances as you have referred to, if carefully examined, what the ages of their assured are, and of knowing that ultimately all must become charges on their funds?—They have the means, if they have the inclination and will take the trouble to look into their affairs; but I consider we are very deficient in the materials for properly estimating various risks. There were some returns made a few years ago (including the Equitable and the Amicable, which had previously published similar statements) of about 83,000 policies, which I consider are the best materials from which we may obtain information. Altogether however only 17 offices contributed their experience, and three of these only in part.

1968. Would you suggest any means by which a very much more enlarged experience might be arrived at, which would be useful to the public at large, and to assurance offices, in making their computations?—I think if a body of actuaries would undertake to collect the materials, there would not be the same disinclination to return facts that there was 10 or 12 years ago, and that we might get a very large and valuable return.

1969. You think there is a growing desire on the part of the existing offices to make their affairs more public, and less disposition to withhold from the public information which they would have objected to furnish some years ago?—Yes; I think they are more willing now to give information of general utility.

1970. Do you think it is very much to the interest of all respectable offices that such information should be as accessible as possible to the public?—That is my opinion.

1971. You think the more secure an office is, the more it has a clear and distinct interest in showing that to the public as distinctly as possible?—I think so.

1972. Then you think the aversion which the old offices exhibited in 1844, at the passing of that Act, against being interfered with by the Act of Parliament in making returns, being called upon to furnish the public with returns, is a great deal less than it used to be?—I think there would be a great disinclination to making returns of the cash transactions at some of the old offices; but I am alluding now to returns that would enable actuaries to determine what is the true rate of mortality among assured lives.

1973. You mean returns showing the duration of human life?—Yes, or for ascertaining it.

1974. Speaking generally of the various elements which we have discussed to-day, as being necessary to enable the public to form an opinion, do you think there is a greater desire on the part of the old offices, or less objection than there used to be some years ago to furnish such information, or aid such inquiry?—I think the old offices would be very willing to satisfy the Government that they were in a sound condition; but having once done that, I think they would consider it vexatious to be obliged to make an annual return.

1975. Do they not make up their accounts annually?—They make up their accounts annually, for their own information generally.

1976. Because of the numerous elements you have mentioned to-day, as being necessary to form an opinion, many of them would only require to be returned once; only some of them it would be necessary to return annually: for example, the

the table of mortality and the rate of interest upon which they computed their premiums, and a variety of things, being returned once, would remain always the same. There are other things, viz. the premiums on hand, the assets on hand, and so on, which would change from year to year?—Yes.

1977. But those things that would change from year to year, I suppose each company makes up its account of, and would be able to return them without any inconvenience?—I think there would be no indisposition to make a return once in seven years, or once in five years, if the accounts for the distribution of profits were made up at those periods.

1978. Mr. *Glyn.*] I understood you to say you thought there might be some such communication between the offices as might enable you to get a collection of facts from their several experiences, which might be made the ground-work for one general table?—Yes.

1979. That had nothing to do with assets, or any other question?—No.

1980. But you think it extremely desirable that there should be some communication made to a public body, the Institute of Actuaries, or some other place that might be selected, and that they might collect together the facts supplied by the returns from the different offices, and publish the result in the shape of a table?—Yes, there might be a committee of actuaries for the purpose.

1981. That affects the table of mortality, and nothing else?—Yes.

1982. *Chairman.*] In your opinion, would not that return be better made to a public department than to a voluntary society, such as the Institute of Actuaries?—I think a voluntary society would be better; they would understand the working up of the facts better for their own purposes.

1983. Do you think that any result that would be come to by a voluntary society would carry with it the same weight as if it were returned to a public department, which would be responsible for employing sufficiently able persons to draw deductions, and to publish them to the world?—I think there is an unwillingness to have any Government interference with assurance offices.

1984. Would not that be rather an administrative act than any interfence on the part of the Government?—I think it might be done equally well by the actuaries themselves.

1985. Mr. *Glyn.*] Do you not think it might be done better by the actuaries themselves, for this reason, that the facts might be better ascertained and tabled by them than by any Government office?—I think it would be better done by a committee of actuaries.

1986. *Chairman.*] Do you think the Institute of Actuaries would be willing to undertake it?—I have no doubt there would be a number of gentlemen who would be willing to undertake it; there might be a Committee formed for that special purpose, as there was in 1838.

1987. And that they would publish to the world the data upon which they arrived at their conclusions; and then a third thing would be likewise a table of mortality, which would be required to arrive at accurate conclusions from the data they had placed before them?—They would publish the facts and results in a combined form. If each office were to make a separate return, and that separate return were to be published, I think there would be an objection to give the particulars; but if, as on the former occasion, there was a schedule framed for a few simple facts to be returned, that is, returned in the same form, and mixed up together, so that the parties who worked them up should not know what offices they came from, I think then they would collect a considerable mass of valuable information.

1988. Supposing this Committee were to recommend the Institute of Actuaries to do such a thing, do you think we could rely upon their doing it?—I do not think those returns could be got to any very great extent by the Institute of Actuaries.

Jovis, 9° die Junii, 1853.

MEMBERS PRESENT:

Mr. Wilson.	Mr. Muntz.
Mr. Cowan.	Mr. Geach.
Mr. Mullings.	

JAMES WILSON, Esq., IN THE CHAIR.

Samuel Ingall, Esq., called in; and further Examined.

S. Ingall, Esq. 9 June 1853.

1989. *Chairman.*] HAVE you any further remarks to make on the questions that were put to you on the last day of your examination?—With reference to obtaining returns of the mortality of assured lives through the Institute of Actuaries, I think any returns made by assurance offices would be much better collected and arranged by a committee of actuaries expressly formed for the purpose, in the same manner as was done in the year 1838, the offices giving the returns of their policies so as to enable that committee to deduce the rate of mortality prevailing amongst assured lives. I would rather have refrained from making any allusion to the Institute of Actuaries, but it having been named, at the last meeting of your honourable Committee, I may perhaps be allowed to say, that I think the old and larger offices are not sufficiently connected with the institute to enable it to obtain from such old offices any very large returns. I have nothing further to add upon this subject. With respect to what proportion of the premiums on existing policies should be retained as a safe reserve, I named 50 per cent. of the amount of premiums. I may, perhaps, be allowed to add that that had reference to the premiums originally contracted to be paid. If those premiums were reduced at the end of five years to any great extent, say 50 per cent., by the application of surplus, I should then recommend that 79 per cent. of the premiums received by the society should be retained as a sufficient reserve.

1990. Mr. *Mullings.* You say 79 per cent., do you mean that with reference to the past premiums actually paid?—Yes; the amount of past premiums actually paid.

1991. *Chairman.*] Have you any further remarks?—In stating that I considered an office ought to have about one per cent. per annum on the amount of its liabilities in hand for the first 20 years, I would also state that if the office made a reduction at the end of five years of 50 per cent. of the nominal premiums, then I consider about one and a half per cent. per annum would be a fair reserve.

Charles Jellicoe, Esq., called in; and Examined.

C. Jellicoe, Esq.

1992. *Chairman.*] ARE you an Actuary by profession?—Yes.

1993. Of what office?—Of the Eagle Assurance Company.

1994. Are you a member of the Institute of Actuaries?—I am.

1995. Has that body discussed the questions now before the Committee?—It has.

1996. Has the institute, as a body, come to any conclusions upon the various topics which are being discussed at present?—Two special meetings were held by that body for the purpose of discussing the whole question before this Committee.

1997. Did they come to any resolutions?—They came to the following resolutions:—

"That the Act of 1844 has created an invidious distinction between the offices established prior to that Act, and those formed since; and that in the opinion of this

this meeting that Act should be repealed, and provision be made to place all life assurance socities on an equal footing.

"That, whilst this meeting recognises the propriety of allowing the competition in the business of life assurance to remain unrestricted, it cannot lose sight of the fact that a rate of expenditure much greater than was formerly necessary is thereby occasioned; and this meeting is therefore of opinion that every company to be hereafter established should be required, before commencing business, to prove the possession and investment in Government securities, of a capital of at least 10,000*l.* (under conditions similar to those imposed in the case of joint stock banks), as some guarantee to the public of the ability of the company, under present circumstances, to carry out the contracts which it may enter into.

"That, in the opinion of this meeting, no legislation on life assurance associations can be permanently effective that does not exact tests as to the respectability and acquirements of persons allowed to practice as actuaries."

1998. Then, if I understand the substance of those three resolutions, it is this: that the present Act places some assurance offices in an invidious position with regard to the public, and therefore it is the opinion of that body of actuaries that there should be one uniform Act framed in such a way as to be applicable to all existing assurance offices, in order to bring them into one uniform state?—Certainly.

1999. Secondly, that that Act should provide that a guaranteed capital of at least 10,000*l.* should be paid up before any assurance office be permitted to commence business?—Yes.

2000. And, thirdly, that it would be essential that some test should be applied of the fitness of any actuary before he is allowed to practice as such?—Exactly so.

2001. Is it your own individual opinion that the present Act is insufficient, or that it has an invidious effect upon certain assurance offices?—Yes.

2002. You concur in that first resolution?—I do, fully.

2003. Then you are of opinion that one common Act should be passed, the provisions of which should be made applicable to all existing societies, and framed in such a way that, consistently with their various deeds of settlement at the present moment, they should be able to register under that Act?—Quite so; I think there should be no distinction.

2004. Is it also your opinion that a paid-up capital in every case should be insisted upon previous to a new office being established?—I think it should, and that some such sum as 10,000*l.* is only reasonable under present circumstances.

2005. Do you think 10,000*l.* would be enough?—I think it is sufficient for the purpose.

2006. For what purpose would you propose a paid-up capital; would you propose it simply as a test of the *bonâ fide* intentions of the parties engaging in the undertaking?—For that purpose, in the first place, and as some small guarantee, throughout the existence of the company.

2007. Would you propose that that sum should be kept intact?—I would.

2008. Suppose there were any losses incurred by the Company larger than the fund they had in hand, would you allow them to use a portion of that guarantee fund for the purpose of satisfying such claims?—I should consider it was for that purpose.

2009. Then would you propose that there should be any stipulation that if that fund were necessarily broken in upon for the purpose of meeting early claims, the profits from the first funds of which the company were afterwards in receipt should be added to that guarantee fund, in order to raise it again to the amount stipulated?—That would be quite desirable.

2010. Then you would treat it as a fund rather for temporary aid to the claims and wants of the society, than to be used for the ultimate payment of those claims?—Certainly.

2011. Do you share also in the opinions expressed in those resolutions, that some test should be required from actuaries as to their fitness to practice?—I think some such test most essential.

2012. Do you not think that the public and assurance offices in particular may be trusted to exercise a discretion themselves as to whether the actuary they employ has the qualifications requisite for performing the duties they entrust to him?—We have good evidence that that is not sufficient.

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2013. Where you speak of having evidence that that is not sufficient, do you mean to imply that persons have been employed as actuaries in assurance offices, who have been considered palpably and ordinarily incompetent for the task?—I do.

2014. Would you say that with reference to companies of an old date, with a subscribed capital, where there was a risk incurred on the part of the proprietors, or would you say that that was confined to companies which had been got up without any risk whatever being incurred by those who were the promoters?—I do not think it would be difficult to meet with instances of both.

2015. But suppose your first suggestion be insisted upon; viz., a subscribed capital to be paid up by the promoters, so that they should have a real risk in the undertaking; are you of opinion that that risk which they would incur would not of itself be a sufficient guarantee that they would take care to employ persons competent to advise them, so as to prevent their running into danger?—At present they have no means of judging of the fitness of a person, except by common report.

2016. What would you propose as a test; what means would you contemplate to enable them to judge better than they have now?—A periodical examination instituted by the Government, or some body authorised by the Government.

2017. But would you propose that actuaries, like physicians or surgeons, should have diplomas?—Certainly.

2018. Given by some public body competent to examine them, and to grant either licences or diplomas, the same as in some of the learned professions?—I feel quite sure that until that be done the mischiefs complained of at present will not be put an end to.

2019. Then you concur in the resolutions you have put in that were passed at that meeting of actuaries?—Thoroughly.

2020. Is it your opinion that the great body of the actuaries concur in those resolutions?—I should think a very large number.

2021. Are there not two institutes of actuaries?—There is but one institute; there is no organised body besides, although a number of the actuaries connected with some of the oldest offices are not members of the institute.

2022. Do they form a society by themselves?—About a dozen of them have some sort of private association, I believe; I do not know of any other.

2023. It has been stated before the Committee, that there were two institutes or bodies of actuaries?—That is not so.

2024. There are not two societies?—No, certainly not.

2025. What number of actuaries belong to the institute?—About 140; but that number includes some few persons who are secretaries only.

2026. How is that body constituted; is it entirely a voluntary association?—Originally it was entirely voluntary, and it is now voluntary, in so far that any member may withdraw from it if he pleases.

2027. Is it constituted by any authority, or is it anything further than a voluntary association by a number of gentlemen for a given purpose?—Nothing further; but it is regularly organised.

2028. Were these resolutions concurred in pretty unanimously by the meeting at which they were passed?—Almost unanimously, I think.

2029. Was there a division taken?—There was, except on the last; that was passed unanimously.

2030. There was a division taken upon the two first?—There was.

2031. Can you state the numbers who voted for and against the resolutions?—About 70 members were present on each occasion, and the minorities were small; the actual numbers I cannot tell.

2032. Do you believe, or have you any means of knowing that these are views entertained generally by actuaries who do not belong to the institute?—I do not think the last is entertained by them at all.

2033. But the two former they concur in?—I doubt whether, as a body, they would like the first.

2034. The second, with regard to the payment of a certain capital, you think is pretty generally entertained?—Quite generally, I think, with differences as to the amount.

2035. I suppose there might be considerable hesitation with regard to the first of those resolutions, from the circumstance that the requirements of the Act of 1844 would be so inconsistent with their deeds of settlement and the organisation of

of their societies, that it would be impossible to apply the regulations of that Act to their particular societies without entirely remodelling and recasting them?—Yes.

2036. You are aware that has been one of the chief reasons why they have objected to registration under that Act?—I can easily imagine that would be a reason. I was not advocating the application of the Act of 1844 to those societies.

2037. Do you think the objection even to that first resolution would be materially modified, if any Bill that should be passed for that purpose should take care to recognise all those difficulties under which old societies exist, with reference to their deeds of settlement and their organisation, so as not to put them to any unnecessary trouble or expense in conforming with any regulations which might be contained in that Act?—I have no doubt of it; I cannot suppose that any respectable company desires to be put on a footing different from other companies. The persons who came to these resolutions comprised actuaries of all sorts; some connected with old offices, like my own, which is quite an old company; others with new ones.

2038. Were any of the persons who voted for those resolutions connected with what are called new companies?—A good many.

2039. And the meeting at which those resolutions were passed may fairly be considered as a meeting composed of actuaries who are interested in all classes of offices?—Quite so.

2040. And as representing every one of the particular classes which are recognised in the different discussions which have taken place on this subject as being opposed to each other?—Quite so; it was probably a fair average representation of all.

2041. Who was the chairman of the institute?—The late Government actuary, Mr. Finlaison, senior.

2042. Was he in the chair on that occasion?—Yes, on both occasions.

2043. Does he concur in those resolutions?—My impression is that he goes with them, quite; I cannot say that positively; I heard nothing from him on the occasion when I was present to make me think otherwise.

2044. What is your view with regard to publishing accounts?—If one office be called upon to do it, I think all offices ought to be called upon to do it.

2045. You think, inasmuch as under the existing Act some offices are called upon to publish their accounts annually, any Act contemplated in those resolutions which could be passed to bring the whole of the offices into a uniform position, should provide for some form of account to be published annually or periodically?—I think it is only equitable that it should be so.

2046. With regard to that meeting to which you refer, of the Institute of Actuaries; do you believe that they generally concurred in that view?—I have no doubt of it.

2047. Then there is not the same objection to the publication of accounts which existed some years ago, viz., when the Act of 1844 was passed?—I do not think any one objects to it, except, perhaps, some of the very ancient offices, who, I believe, have a little prejudice against it. It is almost general now to publish accounts; not only are the offices willing to do so, but they almost all do publish their accounts.

2048. Have you formed any opinion as to a satisfactory form in which an account should be rendered?—I have no faith in any utility arising from a form, or indeed in the necessity being created by the Government for any particular accounts; I have no faith in that at all.

2049. You have no faith in any uniform form?—Not at all.

2050. Then, what would be the character and nature of the accounts which you would suggest?—I should leave that to the offices themselves.

2051. If you leave it to the offices themselves, respectable offices may furnish a very intelligible account, and companies wishing, at any rate, the real state of their affairs not to be known, might furnish accounts which were really not intelligible, and yet might tell nothing that was actually untrue; how would you deal with that?—The impression on my mind is, that it is possible for a company to to put forth accounts of the most fallacious description, and that their fallaciousness could not be detected by any means at all; no form would be sufficient to prevent subterfuge or evasion of some kind, if such were contemplated.

2052. Supposing no form of account were possible, would it not be possible to give some general features and facts as to the condition of the office, such as a general

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general outline of the mode in which they transact their business; for example, they would be obliged to state the tables of mortality they used; the rate of interest at which they computed their premiums; the amount of loading or margin which they placed on their premiums; the amount of assets in hand; the amount of premiums received and receivable from year to year; the amount of business done, and new premiums received; the claims made, and the annual charges; might you not have some such general elements, without giving an exact debtor and creditor account?—Yes.

2053. Might you not have some general elements of that kind stated which would enable any person to say whether the office were in a prosperous or safe condition or otherwise?—I see no objection to such a statement as that the question proposes; I think it would be far better than the debtor and creditor account which has been published under the present Act of Parliament; but I would rather rely upon the interest, as it has now become, of every company, to give forth its own accounts in an intelligible and ample manner. It has now become the practice of all respectable offices to give out the most full statements they can give: in fact, the difficulty is to compress them sufficiently. They do it for their own advantage, viz., in order to gain the confidence of the public; and my impression is, that soon, if not now, the public will cease to look with confidence on a company which does not do that.

2054. Are you not aware that a very large portion of the public, especially in the provinces, who may be induced by private solicitation and by very expensive means of canvassing, where agents may be appointed, themselves respectable tradesmen, wine merchants and others carrying on a good business, having the confidence of their neighbours and being totally unaware of any fraud or irregularity that may be going on at the head office which they represent, are induced to assure their lives, who have no possible means of judging by seeing an account, or if they see an account, of judging as to its being satisfactory or otherwise, but who are only induced to assure their lives by the means I have alluded to, to a very great extent in offices to which that general test which you suggest would really be very inapplicable?—The question alludes to a difficulty which I think would still exist, viz., that the public cannot understand these statements. I have instances constantly before me of very intelligent persons, who, after reading the accounts sent forth by a company, form evidently the most erroneous ideas from them.

2055. Supposing two or three examples were to arise of serious losses happening in consequence of people trusting offices based on an erroneous principle, would it not then become more essential that the accounts should at least follow that form which intelligent actuaries would understand, and with regard to which they would be able to advise anyone who resorted to them for advice?—Unless you were to have some such statements as have been suggested, of the elements of which the account was made up, I apprehend it would be very difficult even for an actuary to come to a satisfactory conclusion as to the condition of the office, and for the public quite impossible.

2056. But with some such elements as I have alluded to, with a competent actuary would there be any difficulty in judging of the condition of the office?—Generally speaking, I think not.

2057. Then if the public were to resort to an actuary for his advice, in the same way as to a lawyer for his advice, with such accounts as I have suggested, there would be no difficulty in any competent actuary giving a man advice upon which he might safely act, as to whether he might assure his life in the particular office?—That is quite true.

2058. Then would that be the great object which could be attained by publication in any form?—I think an important one is omitted.

2059. You would rather rely upon some simple matters of fact such as I have referred to, viz., the actual condition of the company at the time, the mode in which they made their computations, than any debtor and creditor account that could be suggested?—Much rather; the particulars the question mentions would be very important, no doubt.

2060. Are you aware whether the offices in Scotland have considered these questions which are now under discussion at a meeting?—A considerable number of important offices in Scotland have come to resolutions upon the subject.

2061. Have you seen those resolutions?—I have a copy of them here.

2062. Can you give the Committee an outline of the recommendations they make?—

make?—I will hand in the paper, which is entitled, "A Statement of views entertained by the undersigned Managers of Life Assurance Offices in Scotland, with reference to the contemplated amendment of the law regarding Life Assurance Associations, now under consideration of a Select Committee of the House of Commons." The recommendations they make are as follows:—

I. At the establishment of every new association there ought to be lodged with the registrar, in addition to the deed of settlement, as at present provided, a copy of the principal prospectus issued by the office, with the chief tables of rates, and a distinct statement of the data on which these have been calculated; all certified by not fewer than two of the directors, and by one of the principal officers of the association.

II. There ought to be lodged annually, instead of the balance sheets hitherto required, accounts, to be prepared in certain forms, to be appended to the Act, which shall exhibit fully and distinctly the following particulars, viz:—

(1.) The amount of the proprietors' subscribed capital (where such exists), and the amount which has been paid, the number and amount of shares, and a list of the shareholders.

(2.) The amount of the Life Assurance or Premium Fund, distinguishing the sums set aside to provide for bonuses, if any, or reserved as a guarantee fund.

(3.) The amount of the total funds invested, and the mode of their investment.

(4.) The amount of all debts and outstanding claims.

(5.) The number and amount of the whole existing life policies, and of the annual premiums payable under the same, specifying those issued during the year for which the return is made.

(6). The amount of all bonuses, if any, previously declared upon these policies, with the dates at which such declarations have been made.

(7.) An abstract of the whole receipts and disbursements for the year, classified under the various heads of receipt and expenditure.

(8.) Similar particulars to those above specified, for the annuity or any other branch of business which may be carried on under the sanction of the registrar in conjunction with life assurance.

III. At each period of investigation and ascertainment of profits, there ought to be lodged a certified copy of the states or accounts submitted to the partners or members of the association in connexion with such investigation, which should exhibit distinctly the amount of the subsisting assurances, and of the premiums receivable on account of them, classified according to age, and also the tables of mortality, the rate of interest, and the other data on which the investigation has been made.

IV. At the establishment of an office there ought to be raised, and permanently invested in Government securities, in such manner as to be beyond the control of the association, the sum of 10,000 *l.*

V. No dividend or interest ought to be allowed to be paid to the partners of a company, nor any bonus to be allocated to policy-holders, until an investigation and calculation of profits have been made, not sooner than at the end of five years from the formation of the society.

VI. It ought to be the duty of the registrar, in every instance where the regulations have not been fully and properly complied with, according to the terms and spirit of the law, and also in every instance where the returns exhibit any features of a questionable character, to report the same specially to the Board of Trade, who should have power to apply some efficient remedy.

VII. A copy of the returns made to the registrar ought to be annually laid before Parliament.

2063. In those resolutions they agree with the Institute of Actuaries?—Yes, in some points; I may mention that all the gentlemen signing that paper are members of the Institute of Actuaries.

2064. Still that was a meeting held independent of the one you have alluded to?—Entirely independent.

2065. Do they suggest any means of enforcing the regulations if they are not complied with?—They do not.

2066. Do they express any opinion as to the substance of the third resolution of the Institute of Actuaries, which you have referred to?—They do not; I can account for that very readily; in Scotland almost all the offices are differently constituted from the English offices; they are generally under a manager, who is a much more responsible person than anybody else; in fact he thoroughly manages the company; sometimes the manager is an actuary, sometimes he is assisted by actuaries.

2067. Have not all the English offices managers?—Very few, unless the actuary is called the manager.

2068. The actuary of a company is engaged exclusively in the business of the company, or at least devotes as much time to the concerns of the company as they require; that is what is intended?—Yes; the arrangements are very different in different offices; some have an actuary and a secretary; sometimes the secretary is the manager, sometimes the actuary is the manager; what I meant to say was, that the person on whom the responsibility rests, as regards the management of the office, should in my opinion always be an actuary, and should have given good evidence that he is fitted to be in that position.

2069. Are the Scotch managers all actuaries?—No; some are, some are not.

2070. Where they are not they have actuaries to assist them?—They have; the offices in Scotland are very well conducted.

2071. You seem to lay great stress on the qualifications of the actuary in the conduct of an office?—I think that point is all-important.

2072. Of course the whole foundation of the office must depend on whether the calculations themselves are made on an accurate or inaccurate basis?—Entirely on that.

2073. Have you or the society to which you have referred, formed any very distinct views as to the best mode of securing that actuaries shall be fitted for the duties which they undertake?—That is a question which has been a good deal under the consideration of that body; in fact, the body itself was instituted with the view of providing some such security. The first article of the constitution and laws of the Institute of Actuaries states that "the Institute of Actuaries of Great Britain and Ireland is an association founded for the purpose of elevating the attainments and status, and promoting the general efficiency, of all who are engaged in occupations connected with the pursuits of an actuary, and for the extension and improvement of the data and methods of the science which has its origin in the application of the doctrine of probabilities to the affairs of life, and from which life assurance, annuity, reversionary interest, and other analogous institutions, derive their principles of operation. It embraces, as its peculiar province of inquiry, all monetary questions involving a consideration of the separate or combined effects of interest and probability."

2074. Have you many instances of offices commencing business without the assistance of a person who has before been known professionally as a qualified actuary?—Yes.

2075. Do you mean who become actuaries for the purpose of the office; who for the first time profess to be actuaries when they commence the office?—Yes.

2076. You say there are many such instances?—Several.

2077. That is, men who have never practised publicly or privately as actuaries before?—Certainly, I think so.

2078. And you deem that to be a very questionable and dangerous practice?—I think it is the source of a great deal of the present inconvenience.

2079. Do you think it would be possible if, in the establishment of a new office, an actual paid-up capital by the parties embarking in it were insisted upon, and that capital would be hazarded by their so doing, they would take the opinion or act upon the advice of incompetent and inexperienced persons?—The public generally, or that section of it which composes a board of directors, are in many cases not at all aware of the elements on which the whole thing is constituted.

2080. Would not that very fact be an additional reason, if they had a considerable sum of money at stake, why they should resort to persons in whom they could have confidence?—One would think that nothing would be more likely to occur, but it is not so in practice. Up to a late period, I think many persons imagined that they could make the necessary calculations as well as anybody else; that is, persons with but a slight knowlege of arithmetic.

2081. Are you not aware, from the deeds of settlement, that a number of new offices, established of late years, have been established without one shilling of risk, that is, without any paid-up capital; so that whether the company prospered or did not prosper, they had nothing to lose?—Yes.

2082. Might not that state of things lead to great looseness and carelessness as to the persons they employed, and upon whose judgment they acted?—I believe that to be an illustration of the very state of things we are speaking of.

2083. Do you not think that if the law in future insisted that before any company could be registered, or could commence business, the promoters should subscribe a considerable sum of money, which should be invested beyond their control in Government securities, that would be a very great guarantee that they would resort to persons on whose judgment they could rely for the computations they made, and the risks they ran?—It ought to have that tendency; but I am afraid it would not be an effectual remedy.

2084. You think then, in fact, in addition to the past state of things they require a twofold check; first, a paid-up capital; secondly, a test of the qualifications of the actuary?—Exactly so. I believe with those two a great deal of the present evil would vanish.

2085. Would not you contemplate considerable difficulty in this respect; do you believe that the great body of actuaries now in practice would agree with you, and would be willing to submit to such restrictions or such examination as you consider requisite?—I should not of course propose that those gentlemen who for many years have given evidence of their competency, as connected with large offices, should pass through such an ordeal; we must take it for granted, in the first instance, that persons who are in a certain position are fitted for it.

2086. Does not it occur to you that it would be a very invidious distinction, that a certain number of gentlemen should be considered competent, and that a certain number should have to undergo an examination?—I do not think it would be unfair to prevent any person from being called an actuary who has never been in an assurance office, without some test of qualification.

2087. If I understand the substance of your opinion, you would imply, I do not say erroneously, that there are a great number of gentlemen at present, who, though called actuaries, have not the requirements which would entitle them to that name?—Yes, like every other profession, that is so no doubt.

2088. Then if any regulation of the kind that you contemplate were made, where would you draw the line; if every gentleman who calls himself an actuary, who is found in the London Directory, or has actuary on his door, is to be considered competent, would not that be a very loose mode of making provision for a body of competent actuaries, viz., by taking all those who now call themselves actuaries?—There is no getting over the evil otherwise.

2089. There would be no difficulty in competent gentlemen undergoing any examination, and being enrolled if necessary, and in those who are not competent being rejected?—I am afraid that would be a severe measure to gentlemen who have already undergone a certain ordeal; inasmuch as they have been selected or appointed for the purpose. I should be quite content to take as a starting point, the fact that an individual has been chosen by a body of respectable men as directors, as proof of his fitness up to that time. In the nature of things you cannot get over the evil without some such admission at starting.

2090. Then your precaution would apply only to the future?—Only to the future.

2091. Can you point out to the Committee, generally, in what way the danger from employing an incompetent actuary would arise to an office?—At the very first starting the premiums may be inaccurate, that is, insufficient for the risks. If he has the conduct of the company, there are many different ways in which an ignorant person may bring infinite mischief upon them.

2092. I presume the greater the varieties of business which offices now entertain, the greater the varieties of risk which they undertake; and the various modes in which those risks are placed, the more essential it is that the actuary who guides and who advises upon the nature of those risks, and the rates at which they should be undertaken, should be a person of competent skill?—Certainly; much more so.

2093. Can you suggest any form of account by which the public could at once ascertain whether or not a society was really solvent or insolvent, prosperous or otherwise?—I believe whatever form of account was ordered to be published, any office disposed to do so, or indeed unintentionally, might make what was quite a state of insolvency appear quite the reverse.

2094. Can you point out to the Committee in what way they could make an insolvent company appear solvent?—They might overvalue the assets, and undervalue the risks.

2095. But to overvalue the assets, that is, to state them at a larger amount than they actually appeared at in their books, would be a fraud?—Yes.

 2096. But

2096. But not saying that the company is to commit a fraud, is there any way of stating the accounts by which an insolvent company might be made to appear solvent?—I think so.

2097. Can you suggest to the Committee by what means that could be done, or what facilities there would be for such an account being prepared?—It might be argued that the lives were particularly good ones, that the mortality, therefore, would be very small, and that that would justify an inordinate expectation of life, and upon that theory they might make the present value of the future premiums excessive.

2098. Mr. *Mullings.*] Might not this happen, that assets which might have proved clearly bad for some years past, might still be carried in as assets of the company?—Undoubtedly.

2099. Do you mean that ascertained losses might not be acknowledged as such?—Quite so; or indifferent securities set down that were known not to be worth what they were stated to be.

2100. That again would be a fraud?—Such things do happen.

2101. But that again might be put down in the category of frauds, rather than evasions?—No doubt; therefore you must have integrity as well as ability.

2102. In any account that was published, should you think it essential that the assets of the company should be stated in such a mode as to show in what they consisted, I mean generally, viz., so much on Government securities, so much on mortgages, so much on loans?—It would be very proper to insert that, in case of having those statements put forth.

2103. Do you think the assets stated generally, without any indication of what they consisted of, would afford any information upon which anybody could rely?—I am afraid the same answer applies; in any case, you would get but little security from such a statement.

2104. Suppose they were to say, out of a million of assets, 800,000 or half a million is in Government securities, would not that afford considerable information?—Such a fact would no doubt tell well; but mortgages may be of any kind.

2105. You mean, if simply the word mortgages were used, they might be mortgages of a very doubtful kind, or which did not represent the full value of the money invested?—Entirely so.

2106. And therefore, after all, a great deal must depend on the character of the companies, and of those who conduct them?—I think everything depends upon that; without outstepping decent bounds, it is quite easy to make an indifferent undertaking appear quite otherwise.

2107. If I understand the whole scope of your evidence, you place more reliance upon the efficiency of the actuary than almost on anything else?—I do, indeed; observation and experience lead me to that conclusion.

2108. That is to say, on his character?—On his character. I have noticed that an office of indifferent reputation having a person well known in the assurance world appointed to it as actuary, at once gives that office a new character.

2109. Does the actuary give security at all?—It is very common.

2110. Mr. *Mullings.*] Are there any tests or conditions with reference to the admission of actuaries to the institute, or are gentlemen admitted merely upon application; where does the veto against admission reside?—Gentlemen are admitted at present under the title of associates, and before they can take any further title, they must be examined for three years in succession; they undergo that ordeal; and, on their passing satisfactorily through it, a certificate is given them.

2111. Then you would consider that all those who are members of the institute have passed through such an ordeal as answers the questions put by the chairman?—All who are fellows.

2112. And as to those, you would not require any further test of qualification?—No.

2113. Suppose any new actuary not being a member of that institute, would you then prescribe or make any rule that he should undergo any examination, or become a member of the institute, or get some certificate from that society which should qualify him?—Gentlemen who are not connected with the institute should become members of it; or there should be some other authority to give such a certificate.

2114. If actuaries are to be chosen from the body called the Institute exclusively, that might be considered as tending a little towards monopoly with regard to other actuaries, until there is some mode pointed out by which they might be considered as qualified?—The mode proposed was, that all those gentlemen who have undergone the ordeal of selection by a Board of Directors should be regarded at once as actuaries, and be privileged to practise as such.

2115. What would you require, with reference to the future, as to those who may be appointed to any new offices as actuaries?—That they should not be allowed to practise unless they can produce a certificate of an examination, either by some college in London, or by one of the universities, if the Government would not give the institute the power.

2116. *Chairman.*] Has there been any Bill prepared, or proposed to be prepared by the institute, with a view to carry out this proposition?—It was under the consideration of several meetings, the carrying out of such a proposition; and a Bill was actually drawn up as an example of what would be desirable under such circumstances.

2117. Have you got a copy of that Bill?—I have.

2118. Will you read the preamble, and state the heads of the several clauses?—The preamble is as follows: "Whereas, among all classes of people in this realm, very many persons have procured their own lives and the lives of others to be assured, or been guaranteed in respect to fidelity of trust by certain bodies corporate and companies, and many and great reversionary and other interests and annuities have been valued and purchased, and annuities and large sums of money contracted to be paid by such bodies corporate and companies, and important family settlements and aggregate and individual interests are involved in or affected by many of the transactions aforesaid: and whereas such transactions are daily increasing, and are likely to increase more and more, and it is therefore highly necessary for the due and effectual protection of the public that the scientific principles, doctrines, methods, calculations, and rules, upon which all such transactions shall be hereafter undertaken and founded, should be ascertained, made, and carried through by such skilful, experienced, and competent persons only as are hereinafter authorised in that behalf: and whereas the several persons whose names are next hereinafter set forth, being respectively actuaries of Great Britain and Ireland, and persons otherwise more or less connected with or intending hereafter to pursue the practice and profession of actuaries, have formed themselves into an association under the title of 'The Institute of Actuaries of Great Britain and Ireland,' that is to say, namely (here set forth the names intended, and the offices or other personal description or address as may be), and have adopted for the constitution and good government thereof certain laws, rules, and regulations; and whereas in order to ensure such due and effectual protection to the public, by securing the acting upon safe scientific principles, doctrines, methods, calculations and rules as aforesaid, in all such transactions as aforesaid, it is expedient to make the provisions hereinafter enacted, and for the more convenient execution of such provisions to give the sanction of Parliament to such Association and Institute of Actuaries, and to the constitution, laws, rules, and regulations for the same, which are hereinafter set forth: Be it therefore enacted by the Queen's most excellent Majesty, by and with the advice and consent of the Lords spiritual and temporal, and Commons, in this present Parliament assembled, and by the authority of the same, that the several persons whose names are next hereinafter expressed, being severally and respectively, at the time of the passing of this Act, actuaries of Great Britain and Ireland (here name all existing actuaries, with their offices, or other description or address), shall severally and respectively now and henceforth be and be deemed qualified to practice the profession of an actuary, without the previous examination, certificate of competency, admission and payment hereinafter required; subject nevertheless to be registered at the time and in the manner hereinafter directed on the register of actuaries hereinafter required to be made and kept; and no person whosoever, other than those secondly hereinbefore named and specified, shall be, or be deemed at the time of the passing of this Act, an actuary at such time, or be capable of practising as such in any manner whatsoever." The following are the headings of the principal clauses:—"Existing actuaries specified and authorised to practice without examination, certificate and admission; subject to registration." "After passing of this Act, no person, except those secondly before named, to practise as an actuary without examination." &c. "Association called 'Institute of Actuaries,' &c., declared a body corporate."

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"One examination to be passed before 1st January 1854, and after 1st January 1854, no person to be admitted as an actuary who shall not have been an associate three years in the incorporated institute before application, and been examined in each of such years." "Additional examination may be had, where candidate not competent at the examinations required by the Act." "The existing council and officers of institute may, in the interval between the passing of the the Act and the first general meeting, act respectively without re-election." "Register of actuaries to be made and kept, and list to be laid before every general meeting." "Persons practising without registration, or without examination and certificate, and admission and payment of the fee, or either, or actuaries permitting others to practise in their names, to forfeit 20*l.* for every act, omission or permission."

2119. Mr. *Mullings.*] I suppose there are many actuaries of life assurance offices in the present day who are not members of the institute, are there not?—There are.

2120. When an actuary is about to be appointed to an office, what do the directors require; do they not require some test by which they themselves can form an opinion as to his qualification?—The most ordinary method is to obtain a testimonial from other actuaries.

2121. You were speaking of a guarantee fund of 10,000*l.*, did you mean to apply that to both classes of assurance offices, viz., proprietary bodies and mutual societies; did you mean that each class of office should have that guarantee fund paid up?—Yes, I did.

2122. Has it occurred to you what provision you would make with regard to proprietary companies, a portion of the members of which would make up that 10,000*l.* among themselves, as to the interest; has it occurred to you what mode should be adopted for the purpose of paying the interest of that capital out of the profits?—The proposition of the institute and of the Scotch managers is, that 10,000*l.* should be invested in Government securities, and I presume the interest of it would be enjoyed by the parties, keeping the principal money intact.

2123. Would they be quite satisfied with the interest only of those securities for the monies they might advance?—They would have some such investment probably in any case.

2124. Has any other mode occurred to your mind by which they should be somewhat more encouraged or remunerated for the risk they would run, than by the mere receipt of the dividends upon so much consols?—I should not suggest any other mode; consols form the safest investment; where it is so safe you cannot expect much interest.

2125. *Chairman.*] The question was not as to the risk of the investment, but if five or six members are to contribute 10,000*l.* as a guarantee fund for the efficiency of the society at its earlier stage, which implies some risk that that 10,000*l.* may be lost (if it does not imply that it implies nothing,) then there being a certain risk which the contributors to that fund must run from its being required for the purposes of the company, would it be reasonable to expect that any gentleman would contribute that sum of money without having some distinct interest beyond the simple interest which they would get on consols?—The persons advancing that money would usually be directors, and would have payment in some other way, so that it would be worth their while to divert their funds to that purpose, viz., for the sake of establishing a company from which they would derive other advantages.

2126. What is the usual allowance to directors of assurance offices?—It varies greatly.

2127. Suppose an office were being established now on this principle of having a paid-up capital of 10,000*l.*, are you able to inform the Committee what would be a fair remuneration to the directors for the trouble they take in the management of the company?—Formerly, on the establishment of a company, it was very common to put off any payment to the directors for the first four or five years; in modern days we sometimes see a society starting with an immediate payment of from 600*l.* to 1,000*l.* a year to the body.

2128. A body of five or six, perhaps?—Perhaps of 12.

2129. Then in any case it would not exceed 100*l.* a year?—It would not be more than that, I think.

2130. £. 100 a year would be considered a liberal sum to allow to a director?—In a new company; compared with what it has been, it is very liberal.

2131. Supposing there were 10 directors, contributing 1,000*l.* each to the paid-up

paid-up capital, in addition to the 30 *l.* which each would derive from the interest of 1,000 *l.* consols, do you think that 100 *l.* a year would be a sufficient inducement to them to run the risk of losing the 1,000 *l.*?—I think so; because the risk would be very small, inasmuch as the money would be invested in their own names, probably as trustees.

2132. The risk would be very small if they took care to do a judicious business?—Quite so.

2133. And that is the chief gain you expect from the payment of capital?—Yes.

2134. Mr. *Mullings.*] Is not the gross amount of the fund set apart for the directors distributable according to the number of their attendances?—Very commonly.

2135. I suppose that is the usual mode?—Yes.

2136. Then one director might have a larger amount than the others, and the receipt of that gross fund by each director might be a stimulus to his attendance or punctuality?—Yes, that is so.

2137. And looking after the affairs of the company, with reference to the interest they have in the guarantee fund?—Quite so.

2138. *Chairman.*] Suppose the Legislature were to refuse to pass such a Bill as you have suggested, have you thought of any other means by which the same objects might be accomplished?—I think it would be very desirable that the Government should have the regulation of the persons practising as actuaries, and that no person should be enrolled until he had satisfied such conditions as the Government thought sufficient.

2139. Then you think if Parliament declined to pass such a Bill, the Government on its own responsibility might do that as an executive act?—I think it is very desirable; it is done with all other professions, such as physicians and engineers; engineers have to give some satisfactory proof of their competency.

2140. Is any examination or other test required before a man commences as an engineer?—I do not think there is any legal test.

2141. There is an institute of engineers?—Yes.

2142. But it is not necessary that every engineer should belong to that institute?—I do not think it is.

2143. It is a voluntary association?—I think so. It appears to me quite apparent that the object of the Government should be to create good workers, not to teach everybody how they can become so off-hand. I mean, for example, if you want to improve in building, you do not endeavour to lay down rules that will enable everybody to build a house, but you would strive to improve the knowledge of those whose particular occupation it is.

2144. Mr. *Mullings.*] In the Bill you mentioned, I suppose there must be some mode of appeal against any arbitrary decision by the managers of the institute?—Yes.

2145. How would you provide for that, supposing the Institute of Actuaries, being duly incorporated, should refuse to admit parties?—A provision is made for that.

2146. *Chairman.*] Have you any other observations that you wish to make?—I do not know that I have anything further to say; I have heard a good deal said in evidence before this Committee, on a subject which I have made it my business to consider, but I do not know that I need trouble the Committee with my views upon it; I believe they are somewhat different from some views which have been given.

2147. Do you mean with reference to the mode of valuing lives?—Yes.

2148. What particular points would you wish to make observations upon?—I would merely wish to insist that an actuary who understood his business would know that he could only judge of the sufficiency of the premiums to cover the risks thereafter by understanding what rates of mortality and interest had previously prevailed, under as nearly similar circumstances as possible; that he would be quite aware that those circumstances might change, and that it might be necessary for him to examine from time to time whether they were changing or not; because we know the mortality may vary, or the rate of interest may vary, and he can only judge of the future by a careful examination of the past. Having determined from that which has occurred what most probably will occur in future, he should, I think, make out from those particular rates of mortality and interest which he has found to obtain previously, the full amount of the prospective payments required, and then should reserve a certain per centage on the value coming

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coming out by those rates as a guarantee fund, to provide against extraordinary contingencies.

2149. Mr. *Mullings.*] That is matter of detail in the particular office, is it not?—It is important, because the stability of the company depends upon how that is done.

2150. Could you legislate upon that?—No, I think not at all. I believe some consider that the Legislature can prescribe what shall be done; what I want to insist upon is, that the Legislature cannot do that, but that all they can do is to do the best they can to get persons whose judgment and discretion enable them to do the duty properly.

2151. That would be to prescribe that they should have properly qualified actuaries?—That is what I mean.

2152. Do you happen to know amongst the offices generally, or in particular offices, the tables they use with reference to the rates of mortality?—The Carlisle table is very commonly used.

2153. Do they not use the Northampton, Carlisle, and London tables conjointly?—The Northampton table was very generally used formerly; I do not think it is now.

2154. There are three, are there not; the Northampton, the Carlisle, and the London tables?—There is the rate of London mortality, but it is almost obsolete; it was almost the first in point of date.

2155. Are you not aware that there are tables of considerable importance, and professed value at all events, founded on those three rates of mortality?—I presume the question refers to what we call the experience tables.

2156. I mean Willich's tables, which show the rates of mortality of those three tables combined, which I believe are supposed to be the nearest approximation to correctness?—That is very likely; I believe that work is just published; I have not yet seen it; it is the work of a very able person, and I have no doubt is quite what it ought to be.

2157. *Chairman.*] Of course the whole success and safety of every office must necessarily depend on the accuracy of the computations which the actuary makes as to the risks which they incur, and as to the premiums which are necessary to cover those risks?—Quite so.

2158. The chief elements of such computations are, first of all, the rate of mortality, which must be accurately taken; the amount which it is necessary to include in the premiums for the expenses and incidental charges of the office; and next to that the rate of interest at which the premiums accumulated can be employed?—They are the all-important elements.

2159. Then it is obvious that it is impossible that a person who is either incompetent from want of experience, or want of sufficient information to know what upon the past those various elements have given, as being necessary to cover given risks, can form an accurate estimate as to the future?—Quite impossible.

2160. In short, the whole science of an actuary is the science which consists mainly of accurate observations of the past, accurate knowledge of the value of money and the value of securities, and a very careful computation taken from the experience of the past, and which is likely to be the experience of the future?—Exactly so.

2161. And if any grave error is committed in either of those elements, it would be sufficient to ruin the office, or, at least, to become a source of very considerable loss?—No doubt of it; it must be so.

2162. The whole safety of the assured in any one office must entirely depend on the accuracy with which the actuary performs his duties in those respects?—Entirely.

2163. Then it is on those grounds you attach so much importance to the actuary being an accomplished and experienced person?—Precisely on those grounds; I could not put it more strongly.

2164. Therefore, unless you have an able actuary, as the foundation of the transactions of the office, there is no security for the performance of the obligations which such an office incurs?—None whatever; that is precisely my view.

2165. I express generally your views with regard to the importance of the accuracy of those computations as the basis of the calculations of any well-regulated office?—Those are entirely my views.

2166. It is chiefly on those grounds you recommend so strongly that some provision should be made to test the qualifications of so important an officer in an assurance

assurance officer?—Entirely so; I am quite persuaded that otherwise the more extensive the company the worse the consequences may be, because dealing in large sums, any mistake of judgment, or indeed any mistake arising from anything else, may have the effect of bringing the whole body to a slow death.

2167. The more varied the description of business, the more important it is that you should have a competent actuary?—Quite so; that is particularly the case, because, as the business is more and more varied, it becomes more and more complicated.

2168. In each case of new rates being proposed by an office, it must become a matter of new computation, into which the different elements to which I have referred must enter in a greater or less degree, but under different circumstances, or with shades of difference in each case?—Decidedly so.

2169. Therefore unless the actuary is competent to deal with these different principles and elements in the different shapes in which they may be brought before him, he is not competent to conduct the business of a large office, undertaking a variety of business in life assurance?—That is exactly what I wish to insist upon.

2170. Mr. *Mullings.*] There is a class of business which the actuary is not in the habit of transacting, and upon which he could not form any opinion at all, viz. mortgages; does not the office trust almost entirely to the solicitor, and the character and respectability of the solicitor in reference to them?—They trust often to the solicitor: but I was following the Chairman's question. I mean to say that an actuary who exercises a due management, must have that discretion which would enable him to judge a good deal of the legal position of those mortgages, to make allowance for any defects even of title, for any deterioration and other circumstances; in fact, he ought to be an effective officer; he ought to be a person of great discretion and judgment, as well as considerable knowledge.

2171. Do you adopt any means ordinarily, periodically or otherwise, of inquiring into the nature of the securities, the mortgages, or otherwise, as to the deterioration or depreciation which takes place?—That is frequently done; they are carefully investigated; many being of a temporary character, provision has to be made for the capital when the term ceases. It is the actuary's duty to see that nothing should appear in the company's books inconsistent with the facts.

2172. Suppose you had a mortgage of 40,000*l.*, we will say, or a given sum to a large amount, and the interest had been pretty punctually paid every year or every half year for every eight or nine years; generally speaking, would you not trust to that being repaid, or trust to the sufficiency of the security, or do you in truth make any other inquiry from time to time with a view of ascertaining from any deterioration or otherwise the probability of loss?—Generally speaking, the eyes of the manager are on all the securities, to watch any causes of decay. It may be necessary, for instance, to observe whether the tenants on a particular estate are keeping up the property; he exercises all that kind of watching which is necessary to guard against loss.

2173. Has the actuary the custody of or access to all the deeds and securities from time to time?—They are virtually in the hands of the trustees, but the actuary has access to them.

2174. *Chairman.*] He knows their nature, and has access to them, although he has not actually the deeds in his possession?—He knows their nature, and he must constantly have the deeds in his possession.

2175. Mr. *Mullings.*] Is it not possible for a security of that kind to be withdrawn, and the money received by the actuary, without the directors knowing of it, and for it still to be continued in the books of the office?—Such a thing is pretty effectually guarded against.

2176. If you have the custody of the key, and can open the box, and take out one of the deeds of 10,000*l.*, and the party comes and pays the actuary, and receives back the deed, can such a thing take place without some control on the part of the directors?—I have no doubt that may sometimes be the case; that shows that there must be integrity as well as ability in the actuary, and that no company is safe without it.

2177. It was with reference to that I put the question just now, whether the actuary gives security?—It is very generally done.

2178. *Chairman.*] The duties the solicitor performs for the office are of a totally different kind from those you describe as the duties of an actuary?—Yes.

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2179. And which do not require the necessary qualifications of an actuary?—No.

2180. What you would expect from the solicitor would be, not his advice as to the propriety of accepting a particular kind of security, or as to the amount to which the funds of the society should be distributed on different descriptions of securities, but whether the particular securities, title deeds, and so on, are regular and safe, and such as the society ought to accept?—Certainly.

2181. Then would it not be more strictly legal points than actuarial points?—It is so; but the two blend sometimes in a very curious manner: for instance, money may be wanted on the security of an estate, the realisation of which depends on the incumbent or life possessor of the estate not leaving issue; the actuary wants to know exactly the risk; viz., what the conditions of that life are, and what the contingencies are, and he makes his calculations accordingly, so that for that purpose both go hand in hand.

2182. The computations of the actuary are necessary in that case, the solicitor being employed to express an opinion as to the sufficiency of the securities, and the amount which ought to be advanced upon them?—Exactly.

2183. Mr. *Mullings.*] Take the ordinary case; is not this the practice? I want to borrow 40,000 *l.* on real security; I send to your solicitor the particulars of the proposed security. What course does he take upon that? Does he submit to your directors for consideration, or does he go on negociating for the purpose of satisfying himself that it is a valid security before it is submitted to them?—He reports generally as to the validity and sufficiency of it, in his opinion.

2184. *Chairman.*] Would the first step not be for the person who wants to get the loan to apply to the directors, who would be regulated by the opinion of the actuary or manager; that is for him to apply in the first place to the directors, as to whether they will undertake to make such an advance upon such kind of security?—Certainly.

2185. And that question again depends in some measure upon the state of their funds, and the particular mode in which those funds might be invested; whether in Government securities or whether in more permanent securities, or in more temporary securities?—No doubt it would.

2186. Then if they thought it advisable to make an advance of 40,000 *l.* on land on the proposed mortgage, they would then refer the party to the solicitor, in order that the solicitor might do his share of the duty, viz., to ascertain the regularity of the deeds and to report on the propriety of taking the security?—That is exactly the course that would be adopted.

2187. Having first determined on the policy of making the loan itself, and then having ascertained from the solicitor that the title is perfect or satisfactory, they would then determine to what extent of margin, or what margin they would retain upon the reported value of the property in making the advance they were asked for?—That would be exactly the method that would be adopted.

2188. Then the solicitor would be referred to, only for the particular duty he had to perform in making up the decision of the company?—Quite so; whether the statements originally put forth were verified.

2189. Mr. *Mullings.*] People do make applications in the first instance, do they not, to the solicitor, to know whether, through the medium of his office, they can obtain such a loan, and the solicitor applies to the directors?—I cannot say that that is generally the case; parties make applications sometimes through the solicitor, more generally to the directors; and if it is likely to be entertained they give the solicitor's name.

2190. *Chairman.*] When you say their solicitor, you mean the solicitor of the party applying for the loan, not the solicitor of the company, unless he happens to be the same?—Quite so.

2191. What is your view with regard to valuing the gross premiums, viz., as to the amount which should be deducted from the gross premiums in any computation that is made of the value of the assets and liabilities of the company at a particular time?—I think it is quite right to take the value of the gross premiums, and to deduct from them a proportion for the purpose of forming from that a guarantee fund or surplus fund.

2192. What do you mean by a guarantee or surplus fund; what deduction ought you to show? Suppose you were to-day valuing the condition of your own office; suppose the premiums which you charge cover not only the actual arithmetical risk which you incur, but also a margin or loading for the purpose of covering

covering accidental losses, and for the purpose of covering the expenses of conducting the office; suppose you put on the strict arithmetical premiums for covering the risk, and the risk only, as computed by yourself as actuary, 10 per per cent., or 15 per cent. for the other purposes to which I have referred, would you consider yourself justified in considering the actual state of the office at the present moment, in putting to your credit the bulk premiums at the higher rate, including that margin, or would you make any allowance for future expenditure?—I should do the last; I think it better to value the whole, and then set aside from the value 15 per cent.

2193. In fact, then, it comes to the same thing, whether you make the deduction off the premiums individually, whether you compute the fund which you will receive, or whether you take them at their gross amount, and deduct from the gross amount a sum similar to what you have deducted from the individual amount?—Quite so; it is nearly an equivalent; but I think the first is not so safe. The two modes laid down are exactly equivalent, but I do not believe that it is a wise or discreet plan to neglect that margin—not to value it.

2194. But it comes to the same thing in the end, provided it be done accurately?—Only that this may arise; at the first starting of an office there may be that 15 per cent. added; at that moment it is immaterial whether you neglect it or not, because you have assumed that the remainder of the premium is sufficient for the risk; let us suppose that after a given time you investigate the rates of mortality and interest, and you discover that they are not the rates of mortality and interest which you supposed would occur, but are such as would require a larger amount than before; then it might happen that an office with 100,000 *l.* of income from premiums, starting on the computation that 80,000 *l.* of it would be sufficient for the risk, and 20,000 *l.* for expenses might, on investigation, discover that that was not so, but that 90,000 *l.* must be set aside, leaving only 10,000 *l.* for surplus expenses. Then, unless you always make a practice of setting aside the same quantum, it may be lost sight of that the 20,000 *l.* surplus is reduced to 10,000 *l.* surplus.

2195. That would only prove that you had lost 10,000 *l.* in money, by having made an inaccurate computation in the first instance, and show the necessity of raising the premiums; because if 20 per cent. would have been necessary in the first instance to cover the expenses and contingencies, and you found that instead of having 20 per cent. for that purpose you had only 15 per cent., would not it imply the necessity of raising the premiums?—No doubt it would; but as you could not raise the premiums, all you could do would be to make the same reserve as you would if the surplus had been 20,000 *l.*

2196. You could not raise the premiums of the past policies, and therefore as to so much it would be an unprofitable business, but it would be your duty to raise the premiums of the future policies?—No doubt, as far as you could do so.

2197. So far as you could not do so, you would be continuing to do an unprofitable business?—You would be obliged to reduce the returns of surplus; I am supposing a bonus office.

2198. But if you only set aside a margin sufficient for expenses and contingencies, leaving bonuses to be paid out of the profits, you may make out your computations, but you would have no profit at all if you discovered the margin was only 10 per cent, instead of 20 per cent., and therefore you would have no fund which you could reduce, it would be clear loss to the office?—You must stop giving anything, you could not give away anything.

2199. I am supposing that the margin is not for the purpose of making bonuses, but for the purpose of paying the necessary expenses of the business; would not that show that in fact you were doing an unprofitable business?—Quite so.

2200. If you were doing an unprofitable business, the only course you would have would be either to stop the business and sell it to another office, or not to go on with a losing business, or to take some means of raising the premiums in order to put it on a secure footing, otherwise it must ultimately come to insolvency?—Certainly, that is quite just; I go upon this principle, that the rates of mortality and interest are subject to vary, which is the same thing as saying that the premium for the risk is subject to vary. The premium for the risk depends on the rates of mortality and interest, when you assume the one you assume the other; they are fluctuating, and must ever be fluctuating within certain limits. They must be assumed in the first instance in calculating the premium, and some margin put upon that to guard against fluctuations. You cannot tell but that after a given

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time the fluctuations may be such as greatly to encroach upon the margin; therefore it appears to me that the most discreet and sensible mode is to value the whole, and always reserve the same proportion of the whole as a margin.

2201. Then your only object would be to put your accounts in such a shape, that if the margin itself were to disappear, it would be at once discovered by there being too small an amount to cover the risk?—Yes, that is quite true.

2202. You would say there is a certain margin we require for expenses, which sum is absolutely necessary; it is an absolute charge in the first instance, therefore our first duty is to put aside that margin, and not reckon it as an asset?—Yes.

2203. But then we have not sufficient assets to cover our risk independent of that; we have therefore so much loss?—Yes.

2204. Then you do not differ in point of principle, but you differ in the mode of applying that principle?—Yes.

2205. Then you think your mode of stating the accounts would more accurately show whether the assets of the company, without charging the margin as an absolute charge, were sufficient for the risk which the company incurred?—Exactly so; it is a contrivance to preserve the same margin nearly, whatever the fluctuation in the risk premiums may be.

2206. But you do not think that in any way the company has a right to take credit for the gross premiums without making any deduction either from the premiums or from the gross amount of its apparent assets for future expenses or contingencies?—No, nothing could be more fallacious than that.

2207. Do you believe it possible for a company to be without apparent assets altogether, and yet to be solvent on its future computations?—Yes, I do.

2208. Do you believe it possible for a company to have no assets, and to have future risks, and yet be solvent?—Yes. We may suppose this case, that 300 persons all joined together and assured their lives to-day; they would have no assets; indeed they would just have the first year's premiums. We may suppose the first year's premiums spent for the preliminary expenses.

2209. The question would not apply to a company immediately starting without a capital, because it is quite clear that a capital is not absolutely necessary for the purpose of an assurance office, the aggregated premiums themselves ought to be sufficient in every well-regulated office, where the computations are correct, to cover all the risks. I wish to refer to a company which has been some years in existence, and which has no assets?—It would be in a very unpleasant position.

2210. Do you believe it is possible for a company to be in that state after five or six years' existence, and that there is any possible position in which its future prospects could be which could render it anything but hopelessly insolvent?—I could hardly look upon it as otherwise than insolvent.

2211. Then when you expressed an opinion that it was possible for a company to have no assets, and yet not to be insolvent, you simply meant at its first starting, before any material amount of premiums had been paid, and when the preliminary expenses were necessarily considerable?—Just so; the difficulty at the present moment, and the great difficulty upon this question is, that you cannot measure the difficulty of increasing the number; formerly the number of assurers aggregated rapidly, now it is a very slow process, and a very expensive process.

2212. Therefore now it is a very much more difficult thing for the new companies to get a paying business, inasmuch as not only is there great competition for the policies which are entered upon, but there is also a much greater expense in obtaining business than there was at any former period?—That is exactly the case.

2213. If the recent practice of the rapid creation of new offices were to continue for the next 10 years without taking any guarantee in the way of paid-up capital, that difficulty and that evil would continue every year to increase?—Certainly.

2214. Until, perhaps, it might affect the position, not only of new offices, but also of existing offices, by distributing the existing business over so large a surface, while the expenditure in every case is being increased rather than diminished, till eventually the amount of business is insufficient to cover the current expenses of the various offices?—That is quite the case; it is injurious to all; it increases the expenses of all, and of course the surplus of all is diminished.

Lunæ, 13° *die Junii*, 1853.

MEMBERS PRESENT.

Mr. Wilson.	Mr. Cowan.
Mr. Hamilton.	Mr. Mullings.
Mr. Chambers.	Mr. Sotheron.

JAMES WILSON, Esq., IN THE CHAIR.

Francis G. P. Neison, Esq. called in; and Examined.

2215. *Chairman.*] YOU are an Actuary?—Yes.

2216. What offices do you represent?—I represent the Medical and Invalid Life Office, and a few others. *F. G. P. Neison, Esq.* 13 June 1853.

2217. One of those offices I think is for the express purpose of assuring diseased lives?—Yes.

2218. That is, lives that would be rejected by other offices in their usual course of business?—Yes, or lives that were rejected some years ago; most offices now take lives that are tainted, to some extent.

2219. But on distinct and separate rates of premium?—As I understand, on arbitrary or not fixed rates of premium; we do not follow that course; we profess to have acquired an amount of data which enables us to reduce this branch of assurance to something like a system.

2220. That is in the Medical and Invalid Office?—Yes.

2221. Have you at all observed the working of the Act of 1844, requiring the registration of assurance offices?—I have paid some attention to it.

2222. Is the operation of the Act in your estimation satisfactory?—No, I think not.

2223. Will you state in what particulars you think it defective?—I think all Acts would be defective, or rather necessarily injurious, that would impose a supervision over life offices, or any interference with their practical management.

2224. Then by that do you mean to say that you are averse to any interference on the part of the State with life offices, and the principles on which they do their business?—Yes, most decidedly.

2225. Do you recognise no difference between the circumstances under which Life Offices exercise the trade, if I may so call it, of life assurance, and banking, or any other trade, the result of which can be seen and known at any moment; whereas the results of life assurance are contingent on a great number of events, and at very distant and remote periods?—With respect to supervision, I do not think the experience of joint stock banks is at all applicable to the subject of life assurance; but even with regard to joint stock banks, my opinion would be against any Government interference. It is a "vexed question," I know, but still I should decidedly hold that opinion with regard to banks also.

2226. I did not quote the case of joint stock banks as affording a reason why the same supervision should extend to assurance offices, that applied to joint stock banks, but I refer to it rather as a case in which there was not so much grounds for interference, inasmuch as the transactions of a bank may be concluded, and the result may be determined at any moment, whereas the result of the transactions between the public and assurance offices are necessarily contingent on very remote events?—For those very precise reasons, I should say, if there were need for interference in either case, there is the less need for interfering with the affairs of life assurance associations. I think the history of the institutions themselves establishes the correctness of this opinion.

2227. Do you think that the public have so great a control over their own interests and the stake which they have in a life assurance office, as over the

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stake they have in a bank at any particular moment?—Yes, I think they have greater security.

2228. I was not speaking of security, I was speaking of control?—The word control is susceptible of a great many meanings in its application.

2229. I will explain what I mean; a person who has a deposit account with the bank or other transactions, has it at his option to close the account at any moment when he may become alarmed as to the condition of the bank; with regard to an assurance office, a party may pay premiums for a great number of years, and an abandonment of his interest must necessarily be made at a very great sacrifice, or if he does not abandon it, he has no other alternative but to go on paying premiums till a very remote contingency; now do you think that in the latter case, the public have the same option, and the same free control over their own interests, as to whether they are to continue to transact business with that assurance office, as they have as to whether they will continue to transact business with the bank?—Necessarily in the case of a bank, a person keeping an account there can close it more expeditiously than from the very nature of such things he can close his transactions with a life assurance office; but whatever we think of that question, I believe that, generally, as life offices are now constituted, on closing such an account there would not be the great sacrifice which the question appears to assume.

2230. If a man has an account with a bank which is still going on and paying, although it may be suspected by some of its customers, he has it in his power to withdraw the whole of his deposits and risk with that bank in a moment; but with regard to an assurance office, suppose a man has paid 10 years' premiums, amounting to 2,000 *l.* or 3,000 *l.*, I presume I am not far wide of the mark, if I say he must sacrifice nearly two-thirds of that amount of premiums in order to realise, if I may use the term, the interest which he has in that assurance at the moment?—His interest would not be the full amount of the 10 years' premiums; his interest would be a very trifling sum compared with that; he has already in the course of the 10 years received a certain equivalent for a portion of his money, but a portion of that money is fairly and equitably his, and as offices usually deal, he would receive a fair proportion of that sum; the office would not give the full value as a rule, but they give what in practice is thought to be a fair, and, I believe, a judicious amount, and such an amount that generally the policy holder would have no reason to complain.

2231. Suppose a man is in this position: he has assured his life for 10,000 *l.* in an office, and has gone on for 10 years paying his premiums, and having paid 2,000 *l.* or 3,000 *l.* in premiums, circumstances arise which make him dissatisfied with the condition of the office, and induce him at any hazard to discontinue to pay his premiums, and therefore to make the best bargain he can with the office for purchasing his interest; then, having received a sum of money to relinquish his future claim, suppose he still wishes to continue to have his life assured for 10,000 *l.*, and he must necessarily go to another office to effect that, he being 10 years older than he was when he first commenced his assurance, would not it be a very serious loss to him for the remainder of the period that he must continue to pay his premiums?—No, as a rule it would not; generally the sum which he received for the surrender of his policy in the office in which he originally was assured, would be sufficient to compensate for the difference of premiums at the increase of age on his second assurance; the drawback would be this, and that is necessarily inherent in the case, that it might happen that a person so dissatisfied with the office and leaving it, might not then be in a state of health to be received into another office; but that is a thing that is naturally inherent in life assurance; it does not arise from any want of security in the institutions.

2232. Then it is your opinion that if a person in good health wished to withdraw from an existing office in which he had his life assured, and to transfer it to another office, the sum which he would receive for the purchase of the risk would be equivalent to the difference of premiums which he had to pay in the new office to which he went at that advanced age?—Yes; I speak now of the practical rule, as hitherto very generally acted on, and I believe the tendency is to get more liberal in that respect; I believe that offices recently established, and also many old offices, would give such a sum for the surrender of a policy, and I speak of what I have known to be done. In fact, offices have made liberal use of that feature as an advertisement, in order to outbid their more fastidious neighbours.

2233. According

2233. According to the ordinary practice, what is the rule for determining the value of a policy that is wished to be surrendered in that way?—It is very technical; but the practical result, I think would be, that a little more than one-third of the premiums paid would be given for the surrender of the policy; there are cases in which much more would be given. At extreme ages, very young and very old, this rule would not apply; although the theoretical principles are the same in all cases, and generally policies of long duration have acquired a greater value.

2234. Take a person at the age of 50, a period of life when one might suppose that a change of that kind would be likely to be made, and that he had paid premiums for 14 or 15 years, suppose he had commenced to assure his life at the age of 35, and that he had gone on till 50, and then he had become dissatisfied with the office and wished to change it, what, under those circumstances according to the practice, would be the mode of computing the value of the policy?—The actuary, or the advisers of the company who exercise those functions, would determine the value. A mere arbitrary rule, I think in general, is not acted upon. In all probability he would determine what was the fair value of the policy, in the same manner as if he were to determine the value of the reserve for the purpose of the office itself, and then some arbitrary deduction from that net value would be made, and the residue given to the holder of the policy.

2235. I suppose it would not be involved in the rule, but in the practice of the office, something would depend upon the state of health of the party. If the actuary saw that the party was in a bad state of health, he would be very glad to get rid of his liability on better terms?—Yes, but such parties would very rarely seek to surrender, unless pecuniary circumstances compelled them.

2236. Suppose a person becomes so dissatisfied with an office that the premiums he pays seem actually lost. I am not supposing a person surrendering to a good office?—I think there is, upon the whole, pretty fair dealing in that respect, and altogether it seems to me that the risks incurred by the party do not at all come under anything which affects the stability, or the opinion entertained by the public of the stability of the office, and I do not see how any Government supervision could better that state of things; I should fear that it would rather tend the other way.

2237. It is always to be supposed that Government supervision, if it is to be exercised at all, is to have a beneficial effect in checking improvident speculation, and that offices are likely to be carried on with more caution and on sounder principles with that supervision than without it: assuming that to be the case, would not the necessary consequence be that less distrust would arise in the minds of assurers to induce them to adopt the course I have referred to, and so to make a trifling sacrifice?—If the Government supervision could be shown to have that tendency, then I would admit it might be beneficial; but that is a point upon which I should at once take issue. I think it would be difficult to show that there has been, or that there is capable of being, any such supervision calculated to have that effect. Granting the premises, there is no doubt of it; it is the natural sequence.

2238. Can you suggest any method by which the Government could arrive at a more satisfactory means of supervision than that now in use?—I am very clearly of opinion, after giving a vast deal of attention to this question, and prior altogether to the institution of the present inquiry, that the best thing that could be done for the interests of the institutions would be to cancel the recent Act of Parliament, in so far at all events as it affects assurance offices.

2239. You mean the Act of 1844?—Yes; I am perfectly satisfied that these institutions are of such a nature, and their history shows it, that people will manage their own affairs better in connection with them, if they are left to themselves.

2240. And thereby leave the institutions without any interference whatever?—Without any interference whatever.

2241. Would it be possible, in your opinion, for a company to go on doing a bad business on a very unsound basis, for a great many years, gradually losing its property and becoming insolvent, and still be able by means of receipts from new business to veil its insolvency from the world for a great many years?—If an institution were conducted by designing and dishonest men, or men without due intelligence to manage its affairs, that would be quite possible; but otherwise it would not be possible. If there were a fair amount of intelligence and integrity on the part of the conductors of the office, I do not think it would be possible. If there were a systematic series of losses going on, I do not think that intelligent

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and honest men would continue and persevere for many years so as to bring about any public calamity or disaster to those that were dealing with them. Again, as to the effect of introducing new assurances, it is, on the face of it, evident that the introduction of new assurances would not help bad business which might have befallen the company with regard to its prior assurances, because the new assurances would bring with them new liabilities. They might increase the money in the coffers, but the company might be no better off.

2242. But would the premiums not enable the company to go on and pay all its officers and other expenses, and even for a certain period pay its contingent losses, while at the same time those who were paying the new premiums would not have the slightest chance of being paid their claims when they became due?—If they were dishonest men, no doubt that would take place, as in other institutions; but the wonderful anomaly, as it appears to me, connected with life assurance transactions is, that there has been so little of that.

2243. Are you quite satisfied, after the great multiplication of offices of late years, that a sufficient period has elapsed to try that question?—Not with recently established offices, but with a very large number of offices transacting a vast amount of business there has been a sufficient period.

2244. Is there not a peculiar facility with reference to life offices, which is possessed by no other description of trade in the country, for carrying on a bad business for a great number of years without its becoming evident? I am speaking now of dishonest men; I am not supposing honest men, because we do not make laws for honest, able, and prudent men. Is there not with regard to life assurance business, an extraordinary facility afforded for designing and dishonest men carrying on the business for a great number of years, receiving premiums to a large amount with an impossibility of the real result and character of that business being known for a long period to come?—I think not; there is less opportunity in an institution of that kind for doing so than in anything else which I think it is possible to suggest; and if any one will but for a few moments reflect upon how such an institution must be originated, how it must be conducted, the number of persons connected with it, with every diversity in their tastes, habits, and condition of life, and the unity and determination with which they must act together for fraudulent purposes, I think one can scarcely have a moral conviction that it is possible to carry it to anything like an extent which would call upon the State to take cognisance of it. Every life assurance office would have paid officers; usually they have from 10 to 12 directors, frequently more; all these persons ought to be cognisant of its affairs, or at least, a considerable portion of them; some will pay more attention than others. As deeds are constituted, they must make an investigation, at frequent intervals, into their affairs, and that investigation must either be a *bonâ fide* one, or a fraudulent one; now there must be such a variety of persons all concerned in perpetrating that fraud, that it is scarcely possible to imagine that it could be perpetrated and remain concealed for any length of time; the history of these institutions shows that that must be so.

2245. Is it not the fact that in getting up institutions of this kind, very often almost the whole responsibility rests in a single person, who starts the office, who proclaims himself as the actuary and manager, and induces a great number of gentlemen to become directors, who contribute no capital, who involve themselves in no responsibility, who may be, and who frequently are, totally unacquainted with the nature and character of assurance offices, who have never before been connected with anything of the kind, and who join it exclusively at the solicitation of the single person who gets it up; and is it not very likely that such persons, without all joining in originating a fraud, may yet be so misled by the representations and calculations of that single person who is supposed by them to possess all the requisite knowledge for the business, that the whole fraud, in the first place, might originate in his own mind, and that for many years he might indeed be the only person cognisant of it?—So far from that objection being fairly applicable in the bulk of cases, it is almost a proverb that the unfortunate projector of an assurance company is immediately turned out of it.

2246. Still, although that may be a proverb, and may be true to some extent, as we have heard it stated here that the same person has projected eight or ten companies, one after the other, is it not clear that circumstances may arise, and very easily arise, in which that state of things to which I have referred may exist?—I can imagine that it is possible that such a state of things may arise under certain circumstances;

circumstances; but, so far as my knowledge is concerned of who are or have been the projectors of such offices, I think it generally would be exceedingly difficult. They are seldom men who have already acquired a position in connexion with life assurance, and who are so thoroughly familiar with the practical details as to inspire a confidence in the board of directors sufficient to enable them to carry everything their own way. If the projector were paramount at the board, and everything were, in fact, left to himself, such a thing would be very possible. Although I have known one or two instances in which the projector has had great influence and power, it is quite the exception.

2247. There must be some one, either in the shape of manager or actuary, or secretary, who must necessarily exercise a very great influence, almost a paramount influence, over the board of directors, who do not pretend themselves to understand the scientific and technical principles of the business?—So far as mere financial matters are concerned, there is no doubt that frauds might, under the supposed but almost unprecedented circumstances, take place there as elsewhere; but in giving my general opinion, I think the defect, if anywhere, in the management of the institutions, is the too great interference of the board.

2248. I am not speaking now of what the practice with regard to offices in existence has been, or indeed what would be the practice in all cases; I am only calling your attention to the obvious evils which the system naturally, from the very nature of the business, is exposed to?—I think not naturally exposed to; I think, if you look to the history of the different institutions, there is very little opportunity indeed for it. It is not known in practice that there has been an extensive amount of the evils which you allude to. As a rule, institutions begin rather crippled in their financial condition; consequently their financial affairs are easily looked over, and there could be nothing like defalcation to anything like a serious extent in a young institution, without its being almost immediately detected. If we consider the various parties who must conspire, viz., the clerks who have the control of the books, who are not always in the confidence of the manager, frequently jealous of him, it would require all these parties, as well as some of the directors, who sign checks and correspond with the bankers, to conspire in a fraud of that kind; I think it is a most unlikely thing, particularly in young institutions, to happen.

2249. Suppose a new office beginning, possessed of a great deal of energy, and great determination on the part of the manager to obtain business, being utterly unscrupulous and heedless as to what means he took to acquire business, and what cost he incurred in appointing agents and travellers all over the country in obtaining a large business, and that he succeeds in getting together suddenly a very large amount of business, does not a great deal depend on the view which the directors take of that business, as to the account which at the end of each year or so he may lay before them of the business which he has obtained, and the progress of the society; and may not different modes of calculating the assets of the company prospectively show very material differences, which the directors by themselves would not pretend to understand, or to go minutely into his calculations?—Assuming he did all that, viz., made those misrepresentations, and showed false prospective assets connected with those misrepresentations, I do not see how any exaggeration of that kind could at all give him a facility in being fraudulent with the assurance funds; because, assuming that in the first year he had done a great and unprecedented amount of business for a young institution, the amount of moneys coming into his possession might be still exceedingly small.

2250. I do not confine my observations to frauds in the mere abstraction of the assets of the company, but I allude to fraudulent conduct of the office, the consequence of which would be, that the office was going on on a basis which was not secure; that the salaries of all persons connected with it were duly paid, and at that time, as far as the directors were concerned, it might be a flourishing office, while the expenses were far more than commensurate with the profits of the office, and while the prospective risks of the office must necessarily lead, according to the premiums charged for the risks, to ultimate insolvency; I alluded rather to an office being on such a basis, either from wilful miscalculations or miscalculations from error of judgment, that there may be sums received, or to be received from the public, and that those sums of money may be swamped by excessive expenditure, and by early contingent losses; may not such an office go on for a great number of years without the real state of the office being detected?—Very strong-minded men, with great determination to act in that way,

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way, might possibly, under a particular combination of gentlemen as directors, have an opportunity of doing that for some time; but in this, as in other matters of enterprise, trade, and so forth, assuming there to be no Government supervision (if there were a Government supervision, I do not see how it could possibly prevent such a state of things connected with affairs of that kind), there is so much jealousy between rival institutions, that it would be sure to be found out, and damaging statements would appear respecting the institution, which would lead people to examine further.

2251. How could such statements appear, unless in some form or other they were brought before the public?—Referring back to the period antecedent to the passing of the Act of 1844, these things were generally known, and as well known as they are at the present time with the aid of the Act. It is not difficult for any one to acquire that knowledge. The affairs of these offices must be laid before a meeting of the shareholders, and there are always some shareholders in an institution of that kind, which may number from 50 to 500 shareholders, who are willing to attend, and, if possible, find fault with and disparage the proceedings of even the most prudently conducted companies.

2252. Then you would rely on the shareholders controlling those persons who were entrusted with their property?—If the shareholders did not do it, I am sure the Government never would succeed.

2253. Take shareholders in the country, who were obtained by respectable tradesmen, booksellers, wine merchants, and others who had received appointments as agents; do you think they would not much rather rely on the character of the agent than on any knowledge they might have or be able to obtain of the condition of the company?—It is the case in life offices, to a certain extent, no doubt, as in every other kind of undertaking; but still such shareholders do interfere. It is notorious, in connexion with some of the oldest, wealthiest, and longest established institutions, that people come from the remotest parts of England to take an active and most resolute part in the proceedings. Their deeds provide an investigation of the affairs of the old institutions, and also of young institutions, and I have known investigations which are notorious to every one under circumstances which have excited some alarm, or under circumstances of great importance.

2254. As you see no benefit to be obtained by Government interference, do you see any harm that could arise from the publication, not of a debtor and creditor account, but of some such general facts, for example, as these, viz., a statement of the tables of mortality they use, the rate of interest at which they compute their premiums, the amount of assets in hand, and the mode in which those assets are invested; I do not mean individual investments, but how much in Government securities, how much on mortgage, and how much in other ways; some such general features as those, which would enable any intelligent actuary at once to judge, or the public at large, by consulting an actuary, to judge of the safety at any time of different offices; do you see any harm that could arise from that?—No, I see no harm, if the parties themselves think fit to do so; it should rest entirely with the parties themselves.

2255. Suppose the Government think there is something peculiar about this particular business, different from all others; that they think the public are entitled to have some greater knowledge before they enter into a risk contingent on events that may happen 30 years hence, and suppose the Government and Parliament were of opinion that some greater check is necessary, do you see any harm in requiring the offices to do that?—I see great harm in the Government doing anything to require it. If the Government will reflect on its proceedings for the last 30 years in connexion with kindred institutions, viz., friendly societies, it will soon discover that any interference on their part in such a way would have quite an opposite tendency to that the question supposes. If it were necessary to constrain public companies to attend to their own affairs, and to inform themselves rightly as to their real position, as it was felt to be necessary in relation to friendly societies, there might be, under those circumstances, a plea for the interference of the Government. It has been tried in the case of friendly societies, and it has not produced the desired effect; I was myself in favour of it, having at one time more limited views, as I imagine, of the effect of the exercise of the functions of Government in that way; I urged strongly and very earnestly for about 10 years some Government interference. As a test, I suggested in the Act of Parliament in relation to friendly societies, a very stringent clause, which first implied Government interference; but although the necessity for that existed (and the Government

Government has not since succeeded in improving the constitution of the societies in that respect), most undoubtedly it does not exist with reference to life associations and some other analogous institutions, the more especially because invariably life associations must under their deeds meet at definite periods, when a thorough investigation must take place into their affairs, and I believe those investigations are fairly carried out; the results of such investigations are submitted to the shareholders or policy-holders, and are generally known. As may be imagined, there are differences of opinion; men have different ideas on most subjects, but taking their deeds, I think the provisions, in the majority of cases, are such as seem fairly calculated to prevent any disaster to the institutions themselves, or any loss on the part of the public.

2256. Do you think it essential for the interests of the office and the interests of the assured, that such investigations shall take place and be made public?—By the institutions, without doubt.

2257. Suppose the institutions did not think fit to do so?—Generally, I think they would think fit; hitherto they have thought fit to make those investigations.

2258. Then we may take it, from the fact that they do think fit, that they think it essential to their interests that it should be so?—Yes.

2259. Then if that be so, do you see any objection to having those statements all arranged in a business-like manner, in some public office, to which people who are interested in the different offices may refer with facility?—If it could be shown that any public purpose, or any good purpose affecting even a considerable section of the community, would be served by it, I should have no objection to its being done, but I think it would be quite otherwise. It would seem to me as reasonable to ask all the tradesmen on one side of Regent-street to file their accounts in a public office, and to allow those on the other side of the street to examine them, and by false and strained constructions say, "We have no connexion with the people on the opposite side of the way, because the accounts filed by them show their affairs to be so bad." That is the kind of use which some of the life institutions themselves have made, and would still continue to make, of such a thing.

2260. If the accounts were in an intelligible form, they would speak for themselves as to the condition of the office?—Yes.

2261. On the other hand, it may be very inconvenient that accounts should be published in every description of form, unintelligible either to actuaries or the public at large, which exposes them to great discussion and great differences of opinion; but suppose they are in such a form, and the facts published are of such a nature that there can be no difference of opinion as to the use to be made of them, that inconvenience to which you refer would not arise?—I do not consider that the accounts have ever been made in any unintelligible form by a considerable number of institutions; they have been said to be so by certain parties, but they are only said to be unintelligible because certain parties take different views. I may mention that the account published by one institution, which I have heard the most strongly objected to, is an account actually put forth as a model form by a public accountant of high reputation. These are the natural differences of opinion which different men, thinking on the same subject, will arrive at. Different actuaries have different modes of doing the same thing; one actuary thinks this form of account the better; another prefers that. It arises from that difference of opinion which will ever exist in such matters; and to attempt to constrain every office to make out its accounts in any particular form would undoubtedly be productive of injury.

2262. Then you differ in opinion from most of the witnesses who have been examined before this Committee, who entertain the view that the accounts are not published generally in an intelligible form; you think, on the contrary, that they are published in a perfectly intelligible form?—I think, if the inquiry were followed up, it would be found that the objections apply most to institutions upon the threshold of business, in which there has been very little occasion for an account, and such accounts are frequently got up in haste, and perhaps before consulting parties of more experience; and consequently, though the accounts have been honest enough, and sufficient to satisfy the minds of those more immediately concerned, being got up for the purpose of being submitted to Government supervision, as they imagined, the accounts may actually have been put into a form in which they would never have dreamt of submitting them to the members of the institution itself; because it is patent to every one that there are parties who have,

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for the last few years, been lynx-eyed in searching out any kind of seeming irregularity in these accounts, and making the most of it, to the prejudice of the institution.

2263. But do you think that it is at all a fit thing for an office to do, to get up an account in such a method, without consulting the proper persons they ought to consult, and to place before the public, in a public office, under an Act of Parliament, an account which they are conscious is unintelligible; do you think that any supposed haste or any indisposition to consult proper persons would be an excuse for delivering an account of that kind?—No, I cannot approve of that; but it is the natural consequence to be expected from any Government interference. The Committee will observe, I do not say that I know such a thing has been done; I was saying, from the complexion of such things, it is quite possible that such may have been the case.

2264. Do you think that the reluctance to furnish clear and explicit accounts has arisen from the feeling, that these particular offices which furnished the accounts were compared disadvantageously with other offices that were in existence before, and were not called upon to furnish accounts, and that if there were one law for all in future, it would not be felt so strongly?—There is no difference of opinion upon that; the feeling is universal as to the improper distinction between old and new offices.

2265. You think it would have the effect of doing away with that jealousy which appears to exist so strongly upon this subject, if all the existing laws were repealed, and one common law were enacted applicable to all offices alike?—I think that would have the effect of making the difficulty greater; institutions were established prior to the passing of the Act, were formed, and flourished, and produced great national benefits; and at the passing of that Act there was no great disquietude prevailing, showing the necessity for any Act at all for assurance institutions; then let the institutions go on from henceforth as they did prior to that time, and you will find that the good sense of the people of the country, and the ramified nature which the business is now assuming in the country, will ensure the good management which existed prior to the passing of the Act.

2266. That is not exactly the question; my question had reference to the apparent jealousy which exists between those offices which are by Act of Parliament required to register their accounts, and those which, having been in existence before the Act of Parliament, are not required to register their accounts, and I think I understood you to say that that jealousy does exist, in a degree, from one office being required to furnish accounts and another being excused?—A good deal of the jealousy that now exists would be removed, but it would be a very awkward way to remove it; the other would be the way to remove it.

2267. Suppose the Government or Parliament should have its own view as to the mode of removing it, still you admit it would be requisite to deal with that?—Yes, no doubt; but still there would be the invidious distinction of damaging and ill-natured comparisons of the accounts of old offices with large funds and those of young offices with very little funds, although quite solvent.

2268. You have referred to these accounts; we have had many opinions expressed in this Committee with regard to the character of those accounts, as well as with regard to the contents of those accounts; as you appear to have looked at them narrowly, I should like to have your view how far those accounts would be satisfactory to your own mind if you were a person assured in an office; placing yourself in the position of an assured person, with all the knowledge and intelligence you have with regard to this subject, are those accounts of such a nature as would make you feel quite comfortable to go on paying your premiums; I put the question, not invidiously with regard to any company or class of companies, but because we have had different opinions expressed with reference to this subject, and I am desirous of affording you an opportunity of expressing yours?—Had you not connected with the question the special knowledge which I possess of the institutions themselves, then the effect which the publication of these accounts has had on my mind would be a very painful one indeed. I feel strongly that the necessity for the many commentaries made upon them did not exist at all, and particularly in the shape in which they have been made. There will always be something to find fault with. I am not sanguine enough to expect that so great a number of life assurance institutions can be formed, and that they will all be pure in their management, and be perfect models of skill and integrity, so as not to find at all times some one or two institutions to which I should give the preference; but the

the wonder in my mind is, that I know of nothing else which, as a whole, is so well and so skilfully managed.

2269. You have answered the question negatively, I should rather like to have it answered positively; you say there are some to which you should not give the preference; but my question was, whether there were not many with which, if you were an assured person, with the intelligence you could bring to bear on their accounts, you would not like to continue to transact business with, and pay premiums to?—Speaking always with reference to the accounts (there is a special knowledge beyond the accounts, not appearing in the books of the institution), I do not think I should hesitate much, so far as the accounts are concerned.

2270. Suppose you had found an office which had been four or five years in existence, and the expenses of which, on the face of the accounts, were larger than the whole premiums they had received, therefore necessarily having very large liabilities without having any apparent assets, should you say, upon the face of the account, that was a safe office?—I should not say so of such an institution; I am not aware of such; but as to the expenses exceeding the premiums, I should not consider that an objection; under several circumstances I should consider it a strong recommendation, and, in fact, I have acted upon it. There is an institution which is now, I believe, a flourishing institution, and which expended more than double its premiums in the first year.

2271. At what period of its existence, and under what circumstances, should you consider a larger expenditure than the premiums evidence of the safety of the office?—Only at the beginning; if, after a series of years, the expenses of management in any office shall continue to absorb the whole of the revenue, I should say such an institution should stop, and it would no doubt be obliged to do so.

2272. Have you formed any opinion as to what would be a fair per-centage of the premiums received to be employed in the current expenditure of an office which had been four or five years in existence?—It would depend altogether on the mode of management. It seems to me that a life assurance association can in this respect be regarded fairly in no other light than as a trading or mercantile enterprise, and it is manifest that the proprietors (I am now excepting mutual companies, which are small in number compared with those of another kind) interest themselves in the institution with a view to make a profit of it, and it is for them to form a judgment as to what is the best means by which that profit is to be acquired, assuming always legitimate means. It might, in the judgment of office A. have been a very advantageous investment to expend 10,000 *l.* in the first year, in order to originate a system of agency which it believes calculated to be productive of large receipts, and consequently large profits in years to come. Another office will take a more parsimonious view, as many of them have unfortunately done, and they say, "Now we will only spend 1,000 *l.* or 2,000 *l.*" It is on the face of it clear that the 1,000 *l.* or 2,000 *l.*, always assuming equal skill in both parties, could not organise so effective a system of agency as the 10,000 *l.* would. The expenditure of the larger amount of money, with proper intelligence and judgment, would, in my mind, be a very strong recommendation to the institution, because it would accomplish in one year what in the other case would be gradually and slowly done in eight or nine years. If it should result, from that high expenditure at the very beginning of the business (and which would appear altogether unjustifiable if tested by the amount of premiums in the first year) that such a system was organised that that particular company had transacted, in the first two or three years, as much business as the other company by a parsimonious expenditure had done in seven or eight years, the result would be, that at the end of three years the one office had acquired as large a revenue as the other had at the end of seven years. Then it would be found, also, that the one had spent as much money in acquiring a given amount of business as the other had, but that the office of the high expenditure had saved four years out of seven, which is a great matter. I should further say, I have offices now in view, to which this parallel is strictly applicable.

2273. In that case, you suppose that, after the office had been in existence four or five years, the amount of premiums in consequence of that large amount of business would be very extensive, and the expenditure of the office would be reduced to the very same extent?—Precisely.

2274. But the illustration you have given us, I think, does not apply to the question I put; as I understand, you put the case that a very large expenditure is made in the first year for the purpose of obtaining a very large business, which

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leads to a very large receipt of premiums in subsequent years, so that when you come to test it at the end of four or five years, you find the receipts from premiums are very large, and the per-centage of expenditure is very small?—Yes; consequently, the question should not be put simply in relation to the amount of premiums, but with relation to the time. Four or five years is taking too short a period; offices hitherto, unless they were unusually energetic, have been scarcely able to establish themselves in four or five years. I know some offices, with whose affairs I am thoroughly familiar, that at the end of seven years had not properly organised themselves. I consider those to be, in the ordinary sense, prudently managed offices; they are generally admitted to be so; their expenditure has been very low, and the results of the business, although small, have been exceedingly favourable; still they have not been properly organised yet. In one office, perhaps, I should say there has been a particularly favourable result on so very small a business, yet it has not, at the present moment, more than 50 or 60 agencies; and I should say, an office with 50 or 60 agencies is not sufficiently organised to do a great business.

2275. Still the expenses of that office bear a large proportion to its income?—Yes; still that office is not, I think, under the best, or rather what would be more fittingly called the most economical management. If I had had to advise that office, I should have said, "Instead of spending, as you think of doing, 2,000 *l.* or 3,000 *l.* during the first seven years, I would have you spend as much money in three years."

2276. But in this case, how would you proceed; suppose you were to make a very large expenditure in the first two or three years; suppose you had incurred a great number of risks during that period, and that you had two or three very heavy losses, without a fund derived from premiums, how would you provide for the payment of those losses?—If the office be skilfully managed, with moderate activity, the receipts from premiums will always be adequate of themselves to meet the claims that will take place. I am not aware of any fluctuation in any moderate number of lives assured in an office, and in which a uniformity has almost been maintained as to the amount of risk on the individual lives assured; therefore what I should be afraid of would be, a want of skill in the management, so as not to make the risks sufficiently uniform. The expenses of management may not be derivable exclusively from the premiums; it may please the managers of an institution not to touch a penny of the premiums for expenses, but to throw them all or in great part upon the proprietary fund in early years, and that is why the test may be insufficient. A number of institutions are now so conducted.

2277. Then you consider it essential, at the commencement of the institution, that it should have capital?—It is impossible to establish an institution, with the activity which I think it desirable and prudent to call into action, without money: very few people will so devote themselves to the interests of an office without some *quid pro quo*.

2278. Do I understand you to mean, that all this extraordinary expenditure you are speaking of, in the first instance should be derived from the capital of the proprietors, not derived from the premiums received for the risks incurred?—It cannot be derived from the premiums received, because you begin without any premiums; in the first year, and even in the second year, the premiums in ordinary cases are but small in amount.

2279. Then if you found an office in a state in which the expenditure after two or three years, or three or four years, had been more than the whole premiums received, and you saw that there was no fund to meet contingencies that might arise, how would you propose to provide for that; I am supposing the premiums had all been used in expenses?—That is the very state of things I am arguing against; I say it is impossible, in a proprietary company, that such a state of things could exist.

2280. But the only way in which it can be guarded against is by having a capital?—Certainly; proprietary offices always have a capital; I am assuming that. I have not come to consider the state of mutual institutions at all; their case is different; I am now speaking of a proprietary institution; that the shareholders enter into that institution with the avowed purpose of turning their investments instantly to account, viz., making money; and it is notorious that vast sums of money have been made by such institutions; they subscribe their capital, and form a judgment for the future how to apply that capital to the best advantage, so that at the end of 7, 10, or 20 years they may double, or, as has been sometimes, even treble their capital.

2281. Do I understand you to mean that the observations you have made have been confined exclusively to proprietary offices, and that the expenditure to which you have referred as varying in different offices, you assume to be spent in the first instance out of the capital of the proprietors?—Out of the capital, in part or wholly.

2282. But still so much out of the capital as not to interfere with the fair expectation of paying any contingent losses out of the premiums?—Certainly.

2283. Now with regard to mutual offices; will you just say what your view is with regard to the expenditure of mutual offices, and also by whom that expenditure ought to be borne?—The question of mutual offices is a mixed one. If it is a purely mutual office in every sense, the effect would be, that a chair or a table, or a desk, or a sheet of paper could not be obtained, and a policy could not be issued, until some one was willing to pay a premium, and then the parties themselves must make up their minds to the consequences. More than one institution has been formed in precisely this way at the outset, and afterwards they have gone on successfully; it would depend altogether on circumstances. I think in such a case it would depend altogether on matters of feeling. They might prescribe a given proportion of the premiums, which should be set apart for the purposes of launching the institution as the premiums were received.

2284. But in such extreme mutual offices as those to which you have referred, where no large amount, or very considerable amount, could be expended in preliminary expenses, such as you have considered are necessary for the success of the office, without gradually absorbing the means of the office, to pay any early contingencies?—Yes; in fact there can be no question of that; because, with very few exceptions, these mutual offices have grown up slowly; the whole receipts would not make up an expenditure which would give great activity and energy to their operations.

2285. Then would you consider, in the case of mutual offices, as in the case of proprietary offices, an original subscribed capital from some source or other was necessary to give security and facilities for the success of the office?—I do not think for security, but for facility; I think it quite possible a mutual office may be formed without capital, if they will regulate the amount assured upon each life so as to prevent any disaster; in fact, such companies have been so formed.

2286. It is quite possible that a mutual office might be formed without expense, provided there is a sufficient number willing immediately to assure their lives, and to pay the premiums?—Yes, and without any insecurity.

2287. Taking the state of things that does actually exist in a great number of mutual offices, viz. rising into existence amidst great competition in the business, and therefore great efforts being made to obtain that business, do you see any way in which that can be safely borne, except by a subscribed capital?—I can see a way of doing it without that; I never did form a mutual or any other company, but if I ever did, I should be deterred by the want of courage from doing so without capital; but there still is a way, viz., for the party who launches the institution to get 500 persons to sign a statement (which I know was done in one instance) to this effect: "That as soon as the list has got the signatures of 500 persons, and the institution is got up, I am willing to assure my life in it." When the list has been filled with the given number of names, the institution is launched, and so they proceeded; that is one way of doing it.

2288. Is not that exactly tantamount to the explanation I proposed in the question; I stated that no doubt a mutual society might be formed without much expense, where a certain number of persons were willing at once to assure their lives; the plan which I understand you have just now sketched out is only another mode of coming to the same result; but I am speaking now of mutual offices as they really exist, and as they have been coming into existence for the last eight or nine years, with the great competition for business, and the great desire to obtain it, without the facilities you have referred to, is it not absolutely necessary that they should incur very considerable expense in order that they may obtain business, and what you consider profitable business?—It is not absolutely necessary, but I think it is the wiser course to take; because I think, without some such expenditure as has been referred to, they would not be so likely to obtain an amount of business that would pay; at the same time it has been done, and it may be done again. There are some offices, it is well known, that have done a good deal of business without a single penny at starting. At the time alluded

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alluded to, they adopted other arrangements which gave them those facilities; but my notion is, that mutual offices of late have had a guarantee capital, or some money lent them on certain conditions, in order to launch the institution.

2289. Is there any doubt that almost all mutual offices have of late years started with a certain amount of capital?—I believe generally so; but I cannot charge my memory so far as to state that all have done so; the impression on my mind is that in general they have.

2290. What is your opinion with regard to the comparative expenditure neccessary to form a connexion, a business sufficiently large to pay the expenses of the office, and become profitable, at the present time, compared with past periods?—Most of the remarks I have made hitherto in my examination have resulted from my own practical knowledge of the practical working of the institutions, and necessarily, at my time of life, I cannot have had such a knowledge of the institutions at the beginning of the century; but I should fancy that there is now a necessity for a somewhat greater expenditure than there was even 30 years ago; I should imagine it to be so, chiefly on these grounds; that then institutions were few in number; they could scarcely be called national in its proper sense, but simply class institutions, chiefly addressing themselves to a mere section of the community; but life institutions are now taking a very different course, and it is well for the country that they are doing so. There are institutions now of a very promising kind, whose policies do not average more than 100*l.* each, whereas the old institutions have an average of 10 times that amount; in fact, the people, until of recent years, never dreamt of availing themselves of the benefits of life assurance; and it is obvious that, in order to do a paying amount of business, with that small average amount assured, an increased expenditure at the outset may be necessary, but that increased expenditure does not meddle with the security which these institutions afford to the public, but in fact augments that security; there is an element of security in that class of business which is much more than equal to the deterioration to their funds, occasioned by the increased amount of their expenditure.

2291. Then when you speak of an increased expenditure, do you mean an absolute increase of the sum, or do you mean a per-centage on their business done?—Even the per-centage on the business done; it is in vain for any one to look forward to any other condition of things. I do not imagine that any person can now be sanguine enough to think that the great corporations which exist in the city of London, and whose wealth exceeds that of some of the governments of Europe, could be duplicated in the assurance institutions hereafter to be established; where an office has a very great revenue from its policies, there will be a comparatively small amount of expenditure; the ratio of expense to revenue must be small compared with what it is in new offices, and with what it will be in similar institutions hereafter to be formed.

2292. But that comparison of expenditure only exists between an old established office, and a very new office with a small revenue?—It is in vain to look for anything else hereafter.

2293. Then you are of opinion, that in those offices to which you have referred as in the condition of being established offices, with a small revenue, the expenditure was less than it is now, with offices similarly circumstanced?—I am far from saying that is the case in all instances.

2294. Can you state whether at the beginning of the century, the expenditure was less than it is now?—As far as I can form an opinion, I should think it was. I wish to say upon the question of expense, as it is now put to me, that it is in vain to expect any other condition of things; because if you cannot hereafter have those great corporations heretofore formed with immense revenues, you cannot have so low a ratio of expenditure in relation to the revenue in new companies. Now, were the Legislature to deal fairly and wisely in this matter, by taking no cognisance of the companies whatever, what, in my judgment, will inevitably follow, seeing that the talked-of Government stringent means are not taken to prevent the growth of such institutions, will be the formation of institutions intermediate between these and the existing friendly societies.

2295. I think you have misunderstood the application of the word expenditure; I did not wish you to compare the absolute expenditure of old offices, and the absolute expenditure of new offices; what I mean is, the relative expenditure of offices of the same age at different periods, to obtain business?—I have information from the beginning of the century in connexion with some offices, but as they are isolated

isolated cases I do not think they ought to be brought forward; but so far as my experience goes, going back to 1830, I do not think the expense of management has increased, taking the mass. The evil of the newer institutions is the reduced rate of expenditure; and this is why I think the expenditure should be immediately increased. I have a list of the working expenses of between 40 and 50 offices, which are usually called well-established offices; I could show that in those offices what is fairly to be considered expense of management, is somewhat higher than it is in the new offices. I will assume an old established office which has 100,000*l.* or 200,000*l.* of annual revenue, and there is a certain amount of expenses: the way in which the case has frequently, but I think improperly been put, is this: here is 200,000*l.* a year of revenue, there is 10,000*l.* a year expenses of management, therefore you have your expenses brought down to 5 per cent. But it may be said, what is that 10,000*l.* spent for; is it to manage the 200,000*l.* of existing revenue, or is it to acquire fresh business? I think it fairly should be put that a great part of that expenditure is to acquire additional business. If you take the Indian funds as an example, it will be found they are managed by their agents at from ½ per cent. to 1 per cent. on the outgoings only; that agency business being also a more difficult thing to manage than merely collecting the receipts of an established assurance company. Taking the Bengal Military Fund, the salary paid to the agent amounts to about ½ per cent. for the payment of upwards of 90,000*l.* a year, and in the management of these funds there is a great deal more trouble than in the collection of the receipts of an assurance company. Every half-year proper vouchers of the existence of the various parties prior to the payment of the pension, and a vast amount of trouble, has to be gone through by the agent. Coutts & Co. manage some of the smaller Indian funds at a cost of 1 per cent. on the payments, and in addition, collect a large portion of the receipts. It seems to me, if it were simply required to continue the existing business of the established assurance company without looking for new business, it could not be considered more difficult or expensive to manage its affairs than to conduct the agency of one of the Indian funds referred to. Then if 1 per cent. were set apart to manage the existing business of the Assurance company before referred to, you would have 8,000*l.* out of the 10,000*l.* which I have mentioned, expended in acquiring new business; and this is the result at which I have arrived, that taking a number of established offices, their new business is not acquired without the expenditure of a sum quite equal to the first year's premiums, and I think if you go into the affairs of the recently established offices you will find their expenditure is not, as a whole, greater than that. The effect of such a comparison as this being made, is most favourable to the management of a new company whose first year's premiums are spent in acquiring fresh business, as compared with a company which has existed many years, and having an organised system of agencies, only requiring to be kept in activity, while at the same time the new office is endeavouring to organise a system of agency, and therefore must fairly be permitted to spend more money.

2296. I am speaking of the expenditure of offices of the same age at different epochs, and the value of the question lies simply in this very short compass, whether the expenditure of offices of five years' standing in the early part of the last century, was so large in proportion to the premiums they received as the expenditure of offices established recently, in proportion to the premiums they receive?—I think I stated in answer to a similar question, that from my own knowledge I cannot answer that, but I should imagine from all the circumstances of the case that the expenditure in the early part of the century was less, and necessarily so if prudently managed.

2297. Then I think I drew from your remarks generally, that you would consider that, both in the case of mutual offices and proprietary offices, a paid up capital, if not absolutely essential upon the actual principles of life assurance, inasmuch as the premiums ought in the long run always to be equal to the risk run; yet, for the purpose of paying the extraordinary expenses of the first starting, and also perhaps for the purpose of providing for any contingency which might occur, a paid up capital in all cases is very desirable?—I think so; I should myself never attempt to establish such an institution without some capital.

2298. You would not like to start an assurance office without a capital?—I should not have courage to do it, though some men have done so.

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2299. Mr. *Chambers.*] Do you know of any office which has been started without a proprietary capital, or a guarantee fund?—Yes.

2300. Have you formed any judgment as to the amount that should be paid up?—No, I have not; it would depend altogether on the character of the parties, and the mode of action which the company meant to adopt. If the company perhaps addressed itself to the acquiring of the ordinary kind of business, I do not think that a large capital would be at all necessary; but if they should strike out a new path to induce parties to assure who never assured before, a larger amount of expenditure would be necessary, and consequently a larger sum of money in the shape of capital.

2301. Supposing it were proposed that that sum, whatever it is, which is paid up, should be invested in Government securities, and lodged in the hands of a Government officer, not to be touched, should you think that desirable?—I should decidedly object to that; let every one attend to his own affairs.

2302. Your object in recommending a capital would be, that the capital so paid up should be spent in getting business for the office?—Yes; it being assumed that it can be spent with advantage; that will of course be left to the parties themselves.

2303. Should you think a capital paid up, and so invested, would be of any service at all, except as testing the *bona fides* of the parties who originated the institution?—I should not insist on a capital to attest their *bona fides*; I should think that would be a very dangerous test of *bona fides*.

2304. You set no value at all on capital, as attesting *bona fides*?—Certainly not.

2305. Something has been said before this Committee of a want of public confidence in the assurance offices in existence; have you had any experience of that want of confidence?—No, I do not think that it generally exists; a great outcry has recently been made, and an unnecessary alarm excited by the peculiar means taken for that purpose; but in the face of all that, I believe that the younger institutions have been benefited, and are transacting a larger amount of business than it is at all probable they would have otherwise transacted, and I account for it in this way: first, if a very severe but unjust attack be made on any party, if he has strength of mind and courage to resist it, the chances are, that after a successful resistance, he is in a better position than before, and in this way the opposition has thus called out latent qualities in young offices which I think never would have been known but for these tests to which they have been put. Granting that the effect has been damaging to a few institutions, I should think with the majority the attack has had an opposite tendency. No doubt the alarm has has deterred many persons from assuring. I have been told of some instances; in a few institutions parties have refused in consequence of seeing a certain pamphlet or newspaper, or other publication reflecting on the particular company, and certain parties who had proposed dealing with them had gone off; but taking it as a whole, I do not think the young companies have suffered.

2306. From your knowledge, as an actuary, of what I may call the life assurance world, are you of opinion that taking it generally, the business is conducted with integrity and with safety?—I think so, taking it generally.

2307. Are you aware of any single life assurance association which has failed to meet the liabilities to policy-holders which it incurred?—No, I do not think there is such an institution, or ever has been; I have inquired repeatedly into that; I have been told that, with respect to one or two ephemeral things which soon disappeared, it was so; but on investigation I have found that the statements were not correct.

2308. And although they ceased to exist they did so without any loss to those who had taken out policies?—Yes; the policies were taken by some other company.

2309. *Chairman.*] At their full value?—On some terms agreed to amongst themselves.

2310. You do not know whether there was a loss upon that?—I do not exactly understand why it should be so; but my opinion is, and I have known an instance or two in which companies have bought up the business of other companies at a much higher price than they would take the business from the public direct for. I have heard it suggested that they have done so because of the connexion they make by it.

2311. Mr. *Chambers.*] That is, they will purchase the business at an advantage to the policy-holders? Yes.

2312. By giving a bonus on the policy?—No, but indirectly; it might be an advantage to the assured in this way, inasmuch as the company in which the policy was originally effected not finding itself able, it may be assumed from want of capital or some other cause, to continue its business, the company to whom it has transferred its business may be supposed to be well established, or to have a good chance of going on.

2313. *Chairman.*] The only advantage to the assured would be, going from a weak company to a strong one?—Yes.

2314. Mr. *Chambers.*] When you say it is possible for an office to make terms for the transfer of its business, have you known any instance of an office disposing of its business on the condition of a bonus being added to each policy?—I have known such instances; they relate to old offices, however, and not to new offices. I know a company at the present time whose business is being transferred, and the case only shows how various the circumstances are under which transfers may take place. The shareholders in the company have received for the last 17 years a dividend of about 30 per cent. upon their capital, and now a negociation is going on with a view to transfer its business to another company. That transfer is being made, not on any alleged grounds of want of success, but from other considerations connected with the management of the company, which have induced the parties interested to think it is for their interests to make such a transfer.

2315. *Chairman.*] You say that offices will buy up the business of a young company at a price which, in the ordinary course of such transactions, would be considered unprofitable?—Yes; those transfers sometimes take place on terms very advantageous to the policy-holders of the younger company.

2316. Does that arise from their desire to obtain a large amount of new business?—Yes; I may mention that the office I have just alluded to is peculiarly circumstanced; its business is a peculiar one; and I think it scarcely comes within the scope of your inquiry; I merely mention it to show under what circumstances transfers will take place. I have a list prepared, not for the purpose of this examination, but with another view, showing a large number of offices that have been instituted at various periods from the beginning of the present century, distinguishing those that still exist, and those that have transferred their business, and stating the circumstances under which the transfers have taken place. It would appear that a large number have transferred their business, not because of any failure or want of success in obtaining business for themselves, but from other considerations.

2317. Would not the business have a considerable value over and above the actual arithmetical valuation of the risk premiums, from the simple fact that it had been already acquired, and that the same expenditure would not be required again to get the same business together?—That would be a fair element in the valuation.

2318. Mr. *Cowan.*] Can you inform the Committee what proportion of the offices that have been established since 1844, have been purely mutual offices?—Yes, I think I can, by looking at my papers. I have got an analysis of the new offices.

2319. You informed us that the members of mutual offices generally contribute a certain amount of capital in order to conduct their business?—A certain amount of money, whether you may strictly call it capital I do not know.

2320. How is that generally contributed?—Generally by the directors.

2321. Do you mean, they make an actual advance themselves?—They make an advance themselves. There is another way in which I have known it to be done, viz., that shares are issued as in a proprietary company, and under a provision in the deed the capital of those shares will only be of temporary duration; there is a power of re-payment, thereby converting the company into a mutual one.

2322. But the capital, be it great or small, is generally actually paid up?—Generally actually paid up. I know other cases in which a mere guarantee to pay has been entered into; but I believe more generally, some portion is paid up; in fact, the advantage of capital would not be derived at all unless it were paid up, it seems to me, because it is needed with the view of working and establishing the institution.

2323. Then I think you have stated that, if you had a considerable amount of

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capital at your disposal in the early stage of a company, you would devote it to a large amount in the prosecution or attaining of new business?—Yes.

2324. May I ask in what way you would contemplate such an expenditure?—My reasons are very simple: first, I find offices in the metropolis with the finest connexion possible, their directors, many of them, being men of European reputations, and all of financial stability and influence; still these companies, notwithstanding the aid of such a directory, cannot establish a large amount of business. It seems to me, looking at it as a simple matter of mercantile enterprise, that business is to be acquired only by a ramified system of agency; you must saturate the country with a number of agents who are active in making the institution known, and the advantages which it is capable of conferring, and, in order to do that well, a body of agents must not only be appointed, and that with considerable expedition, to make a good investment of your capital; but the agents themselves must be for some time instructed until the whole are indoctrinated with the principles of the institution, and are capable of representing its advantages fairly.

2325. In the appointment of those agencies, and, I presume, in advertising and making the company thoroughly known, it is that you contemplate the necessity for so large an expenditure?—There is a difference of opinion about the kind of advertising. The advantages of newspaper advertisements must be a question with each institution for itself to decide.

2326. But having experienced the desirableness, if not the absolute necessity, of a certain amount of capital being provided for the carrying on of the business of an office; is it not your opinion that an office which unites the proprietary and the mutual principles, or in other words, an office which gives absolute security to the assured, and at the same time throws off to them a large portion of the profits which are derived, constitutes the very *summum bonum*, if I may use the phrase, or holds out the greatest advantage to the assuring public?—It is a question so much debated, that I should not like to say whether a mixed proprietary and mutual company, which is the one alluded to, or a purely mutual company, is the more advantageous to the public. The public indeed look at the question chiefly with the view to get a profit out of the money they invest in the institution; but it must be observed that in the case of a mutual company, when they begin, their business is small, and although they give all their profits up to their policy-holders, it may happen that the fractional amount of the gross profits paid by a mixed proprietary company to its profit policy-holders, although nominally small, yet it may form a comparatively larger bonus than the whole amount of profits distributed amongst the assured in a mutual office. Sometimes a mutual company transacts a larger amount of business, or seems to do so, than a proprietary company, but in principle both are equal. However, one thing is clear, that it would be a hopeless task at the present time to attempt to do a large business with a company that did not share its profits with the assured.

2327. Is it not the case that some proprietary companies give as much as nine-tenths of their profits to the assured; I think I have even heard of 19-20ths?—Yes; but often what is called nine-tenths of the profits may not be more than five-tenths, owing to the way in which it is determined.

2328. You mean by cooking the accounts?—No; by the strict terms of the deed. Often the deeds are drawn by mere lawyers; men who are not technically acquainted with the modes of calculation necessary in the determination and distribution of the profits of an assurance company. One third of the profits in one company may be more than two thirds of the profits in another company; for, by the terms and conditions of the deeds of settlement of some offices, it is provided that a given proportion of the profits arising among the participating policies only shall be appropriated as a bonus to those policy-holders; while, according to other deeds of settlement, the same, or some other proportion of the gross profits from all sources of the office business, is declared to be applicable to the profit policy-holders; therefore, although apparently from the prospectuses of two different companies the same ratio of profits is awarded to the assured, there may still, in fact, be a very wide difference in the actual amount so appropriated, in consequence of the varying restrictions in their deeds of settlement; and this is seldom, if ever, clearly understood by the public. In both instances the policy-holders may nominally get, we will say, three-fourth of the profits; but in one they may get that share of the gross profits, and in the other the participating class

class of policy-holders may get only that share of the profits of their own policy and of the residue.

2329. *Chairman.*] In the one case the profits are gross, and in the other, the participating class receive the share of the net profits?—Yes.

2330. Mr. *Cowan.*] Suppose you are a trustee under a marriage settlement, or any other arrangement, do you conceive that you could effect the object of securing that provision to the children or representative of a person who was likely in the ordinary course of nature to live some 30 or 40 years, in one or other of the new assurance companies; that is, companies whose expenses have been very large, whose business seems to be very small, as safely as with one of proprietary offices, for the safety of which the proprietors are actually responsible?—Do I understand the question to mean proprietors' offices not included in the new offices?

2331. Offices either new or old, where you have a subscribed capital?—I should go as readily to a mutual office for such a purpose as to a proprietary office.

2332. I am speaking of mutual offices, in which, on the face of the accounts they have themselves given in, the expenses for several years have amounted to a very great deal more than the amount of premiums received?—If I were satisfied it were a sound institution, well managed, I should go as readily to a mutual company under those circumstances, as to a proprietary company; I should not hesitate in the one case, because it was mutual, or have more confidence in the other, because it was proprietary, the circumstances of both being in other respects the same.

2333. You do not then consider that a proprietary company gives any additional security?—The security will be the same 30 or 40 years hence. The capital in some institutions is very small, but that again is supplied by an accumulated fund from other sources in addition; and if the business be managed in such a way as not to be secure with an accumulated fund from premiums, the aid of a proprietary capital would not better its condition materially.

2334. Mr. *Mullings.*] Are you prepared to make any suggestion as to what you would recommend to be embodied as a general provision, supposing legislation to take place; what should be the general provision as to the formation of a company?—I am not prepared to make any suggestion on that head; I would have you not interfere at all by legislation.

2335. You would leave the thing as it is?—No; I would cancel the present Act as far as it applies to assurance institutions.

2336. What has been done ordinarily with reference to that capital which you spoke of, which is afterwards repaid; do you know what rate of interest has been paid, or what has been done with the interest in the meantime?—Usually there is a rate of interest paid from the beginning. There are other instances in which it is not necessary to pay a rate of interest; but where paid, it varies from 4 to 5 per cent.

2337. Suppose a mixed company, a proprietary body and mutual assurance; but the proprietors themselves, taking the chance of opening a mutual office, advance a considerable sum for the purpose to which you referred, that is, paying the preliminary expenses and so on: would they be content with leaving that money there without receiving more than the ordinary appropriation of the profits along with the others?—The money is in the first instance paid, and the interest is paid up until such time as the proprietary institution is made into a mutual company, and then, under a clause in the deed, the money so subscribed is refunded, and generally with some increase on the original amount of the subscription. That is the usual way in which such companies are constituted.

2338. What is the provision in those cases for what we may call releasing or discharging the guarantee fund; is there any sum set apart from the moment of the fund being subscribed, by which it is to be repaid to the parties subscribing to it?—By the question, I apprehend you have now in view a company starting with the intention of eventually becoming a mutual company; that is a different kind of company from that which I had in view in answering the preceding question. The modes are various; in some deeds it is declared that when the profits of the company will enable it to repay the original capital, or double the original amount, then the policy-holders shall have the power of so doing; or there is some other given provision. That does exist, I know, in some deeds.

2339. Is that, do you think, a reasonable mode; is it a just mode as between all

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all the parties?—It seems to me a fair mode of doing it; because if they retain the capital beyond that period, as is usually the case in proprietary offices, the profits of such capital would be much larger in value than that given to release the proprietors. There are offices now whose accumulated funds are equal to the original capital, and that the proprietors can realise themselves at any moment by going into the market and selling their shares at an immense premium; there are others in which the accumulated proprietors' capital is equal to four or five times the amount of the original capital.

2340. Would there be any difficulty in dealing with that fund as to its investment? If it should be invested in Government securities, in the names of trustees or otherwise, so as to be beyond the control of the other officers, would that be a security that the office would be in a state of what may be considered perfect soundness?—All the offices have trustees; but all details as to the investment and management of funds I should leave, without any hesitation whatever, to the judgment and discretion of those who are entrusted by the shareholders or policy-holders, as the case may be, with the management of the company.

2341. Mr. *Sotheron.*] Am I right in understanding it to be your opinion that it is undesirable to require offices to make any return to Parliament of their official transactions?—Yes.

2342. You consider the returns under the present Act to be delusive?—No, not exactly that. If I had been called upon to prescribe returns, they do not furnish the kind of information that I should have asked for; but still they are not what should be called delusive.

2343. I would rather ask you whether, in your opinion, it does not pretend or intend to obtain certain information which it cannot obtain?—I think it does.

2344. And you would suggest no form of return in place of it?—No, and simply on this ground, that I think the Legislature should not interfere in any way.

2345. You spoke just now of a sort of intermediate business, something between the great majority of life assurance offices and friendly societies?—Yes.

2346. Is that a sort of business which is very much on the increase?—Yes, it is.

2347. It consists of life policies effected by persons of a lower station in society than those who assure in the other life offices, and for small sums?—Yes, by careful working men and small tradesmen.

2348. Do you consider that that is a sort of business which it is desirable, on public grounds, should be encouraged?—Undoubtedly, because it reaches the people themselves, the bulk of the community.

2349. Is it not the fact that security, or at least one element of security, is obtained by the largeness of the transactions of the society?—Not only by the largeness of the number of lives assured, but also by another element of security in such business; viz., an average in the amount of the sums assured upon each life. The assurances amongst the industrial classes will generally be found to be more uniform in amount than in the ordinary business of an assurance office.

2350. In truth the accuracy of the average is most likely to be obtained where there is a large number of persons who hold policies?—Yes, there can be no question of it.

2351. By both elements?—Yes, there should be an average for the amount of its transactions, as well as the persons over whom it is extended.

2352. But in order that a society may extend its business in that direction, is not it likely it may incur much greater expenses than it would, in order to carry on the same, or higher qualities of business, that has hitherto been the ordinary business of assurance offices?—Yes, relative to the amount of financial operations, they must keep up a higher amount of expenditure; but not such that it can at all affect in any way the stability of the institution.

2353. On the other hand, would not a return which would give you an amount of expenditure of a society carrying on that which you may call a second class business, give you a very insufficient means of judging of the soundness of its transactions?—Like all institutions dealing in those undefined contingencies, it is very difficult to prescribe any return that would be satisfactory; the circumstances of one institution may be sufficiently developed by one form of return; another institution may require a somewhat different treatment to show its real position; so that it is very difficult to prescribe any rule.

2354. Will not the actual expenditure in clerks and agents in the management of

of the office be greatly increased in proportion as the ramifications of the institution are extended downwards in society?—They will be increased, but I should not say greatly. I have in view a case in point; in fact, the first institution that has been successful in doing that business among the working classes; its early expenditure was very high, but subsequently its expenditure has been decreasing, and is now about the average of well-established old institutions, doing a large amount of business. Any fear that might formerly have been entertained as to the amount of expenditure is entirely groundless. The older offices have invariably been deterred from issuing policies for small amounts, from a supposed excessive expenditure in relation to income necessary to conduct that kind of business; but the experience of the institution to which I have alluded shows that the expenditure in relation to income need be very little increased beyond that of an ordinary assurance office, from and immediately after the first years of its establishment. In this class of companies the surplus of income over liabilities will, from their very construction, be much greater than in the ordinary companies; and of companies formed prior to the act there is one which, in the first ten years after its establishment, received upwards of 440,000 *l.* in premiums, and was enabled, without touching its stability, to appropriate an immediate cash bonus of 111,000 *l.*, or about one-fourth of all its receipts from premiums. There is another company which, in the last seven years of its business, has actually divided a realised cash profit of upwards of 700,000 *l.*; so that the resources of an office with even a moderate amount of business must be necessarily very large.

2355. Setting aside accidents, can you give us any reason why an assurance office ever should become bankrupt?—No; with skill and prudence in the conduct of its affairs, if there be a fair amount of business, there is no element of insecurity that I know of.

2356. *Chairman.*] Does not that depend on the rates of premiums charged, the selection of lives, and other things?—All the premiums charged are in practice, whatever they may be in theory, much more than adequate to meet the liabilities. From the experience I have of life institutions, that is the practical view I take of the subject, and as the examples quoted in answer to the last question, which are only a specimen of many others which I could at once furnish, abundantly prove to be the correct mode of looking at the question.

2357. Mr. *Sotheron.*] Do you think we have arrived at that period of the age of assurance offices, that even the most experienced may, with confidence, form the opinion you have just expressed?—Formerly they managed their own affairs when there was great ignorance prevailing as to what their liabilities were; their affairs were managed then well and judiciously; now there is much more information abroad upon these subjects, and each year the institutions are better understood, and consequently better managed, so that there is much less chance of any bad result.

2358. *Chairman.*] Is it necessary as a matter of practice to incur a higher expense on that moderate species of business which friendly societies do, than in offices where the transactions are fewer, and the amount assured much larger?—I have considered, under important circumstances to myself, that question; I have been called upon to advise upon that kind of business, and I think decidedly not.

2359. You think the advantages in one way counterbalance the disadvantages in another?—Yes; in the practical management of such institutions there are many extraneous sources of profit beyond those usually connected with ordinary assurance institutions, and not falling within the theoretical principles falling more immediately under the consideration of actuaries, but which must tend greatly to enrich industrial assurance companies dealing exclusively, or to a great extent, in transactions amongst the working classes.

Jovis, 16° *die Junii*, 1853.

MEMBERS PRESENT.

Mr. Wilson.	Mr. Chambers.
Mr. Cowan.	Mr. Geach.

JAMES WILSON, Esq., IN THE CHAIR.

John Adams Higham, Esq., called in; and Examined.

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2360. *Chairman.*] ARE you an Actuary?—I am.

2361. Of what office?—Of the Royal Exchange Assurance Office.

2362. Is that a proprietary or a mutual office?—A proprietary office, but acting on the system of returning a portion of the profits to the assured.

2363. How long has it been established?—Since 1720.

2364. Is it a sea assurance office as well?—Yes, sea, fire and life.

2365. Do you keep those three branches distinct?—Entirely distinct.

2366. As distinct as if they were three separate offices?—Quite so.

2367. Have you a common board of directors of the whole?—Yes; it is one corporation, but the establishments are kept perfectly distinct.

2368. The three branches are distinct?—Yes.

2369. As distinct as if they were three separate institutions?—They are.

2370. Have you watched the operation of the Act of 1844?—Yes, I have paid great attention to it.

2371. Has the operation of that Act been to your mind satisfactory?—I think it has accomplished both good and evil, but that the good has greatly preponderated. The evil has been, not in promoting the establishment of fresh offices, for that was easy enough before, but in giving them a sort of legislative sanction, or what the public have taken for legislative sanction, and enabling them, on such easy terms, to write up that they were incorporated by Act of Parliament.

2372. What evil is that?—That, as in the case of savings' banks, the public assume that they have the security of the Government.

2373. Then you think that the fact of their being incorporated under an Act of Parliament has given a greater degree of importance to the establishment than would otherwise have been the case?—They make use of it in that way.

2374. You say it is a mixed evil; do you think it an evil that new offices should come into existence?—Not at all; the evil has been that the privilege of calling themselves corporations has been given to them on too easy terms.

2375. You think the public have attached more importance to the fact of their being incorporated under this Act. than the requirements of that Act actually justified?—Yes.

2376. What are the benefits you think have been derived from that Act?—The publication of the accounts, because, with all their imperfections, I think those accounts exceedingly valuable.

2377. What is the practical benefit of the publication of those accounts, as far as you have hitherto discovered?—I think they are quite sufficient to enable one to see, that while some of the offices ought, at all events, to be avoided, there are other offices with which one may transact business with entire confidence.

2378. As an actuary, looking at the accounts, do you feel yourself perfectly justified in saying, that on the face of those accounts there is such a distinction, that you could select some offices as being secure, and others as being insecure?—I think I could, the accounts are quite enough for that purpose, although they might be greatly improved.

2379. So far then you approve of the principle of the Act of 1844?—Yes.

2380. But

2380. But it is capable of much improvement in your estimation?—Yes; I should be glad to see the Legislature interfere further, up to a certain point.

2381. Will you describe how far you would wish to see that interference go?—What I wish to see is this: that every company, old and young, which has not already given a guarantee for the honesty of its intentions, and its ability to carry out what it professes, should be called upon to give such a guarantee.

2382. What do you mean by a guarantee; in what shape would you put it?—I would adopt a suggestion, which, so far as I am aware, was first made in the "Morning Chronicle," viz., that every company should have a paid-up capital; I do not assert that capital is necessarily required to make up the deficiency of the premiums, because I think, under ordinary circumstances, the premiums are sufficient for ordinary risks, and if people are content to take the risk from extraordinary emergencies upon themselves, I think a company may fairly start without a capital; nor do I want to see a capital to be expended in the lavish way recommended by the last witness before this Committee; but I should wish to see a capital in the nature of caution money; a sort of bail that the promoters of a company would carry out what they propose to do.

2383. But would a capital for such a purpose be necessary for old-established companies, who have already got a large reserve fund in hand?—No; and therefore I confined my suggestion to companies that have not already given such guarantees.

2384. I thought you said that all companies, both old and new, should be called on to give such a guarantee?—All which had not already given it.

2385. All companies which have not already a paid-up capital to a certain amount should, in your opinion, be called upon to make such a provision?—Yes; and further, I would wish to see it lodged in the hands of a Government Board.

2386. You would wish to see a portion of the reserve fund of every existing office transferred to the custody of a public officer?—Yes; I would have a specific sum required from every company, but not to be taken from the reserve fund, because it should be lodged at the outset.

2387. I am speaking now of existing companies who have not lodged monies at the outset; I understand you to say that you would wish to see every company, old and new, furnish such a guarantee to the public as a guarantee fund or paid-up capital, and a certain fund deposited in the hands of a public officer?—Yes; I do not think it would be necessary in the case of some of the offices, but it would be invidious to establish a distinction, and, therefore, I would wish to see it applied to all.

2388. Then you would wish a portion of the existing reserve fund of the old offices transferred from their own possession to that of a public officer?—I do not think it necessary in the case of the old offices, but I would have it done, in order that there might be no sort of unfairness.

2389. With regard to all offices to be established in future, you would wish to see a certain paid-up capital, and which capital would be beyond their own reach?—Yes.

2390. And you would hold that capital as a certain security for the *bonâ fide* intentions of the promoters?—Yes.

2391. But suppose that the company were to make losses, and had not funds from which to discharge those losses, would you consider that that fund was to be liable to be called upon for those losses?—Yes; but only to be realised with a view to a general winding up.

2392. You would not allow them to use that capital for the purposes of their business generally?—No; I would allow them to draw the interest upon it, but not to use the capital.

2393. But beyond that, do you not imagine that a certain capital would be necessary for the purposes of the preliminary expenses, and great cost of the first few years in establishing the office, before the profits begin to accrue?—I do not think that any persons ought to set up a life office unless they had such a prospect of business as to make those costs unnecessary.

2394. Is it not the case that a great number of life offices (many of them very good offices now) have started in business, and others may in future start in business, without a guarantee, the immediate accomplishment of their objects in a short time having furnished funds for the purpose of paying the expenses; and is it

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it not a very fair presumption, that the best managed offices must necessarily incur a considerable expenditure in the first few years of their existence, which may be very fairly incurred in the prosecution of their business when it was ultimately obtained?—I should not like to establish an office myself until I had such a fund to fall back upon for preliminary expenses; but I do not see that that would be a proper legislative requirement.

2395. It would not be a proper legislative requirement; but you think it would be a necessary thing for any prudent persons to be possessed of?—Yes.

2396. Then your idea is, that if you take a paid-up capital as a test of the *bonâ fide* intentions of the promoters of the company, you may leave the rest to themselves?—Yes.

2397. Would you make that fund or capital money responsible for the liabilities of the company for any purpose whatever?—Yes; but, as I said before, only to be realised with a view to final winding up.

2398. If it became necessary to use that fund, you would say the time had arrived when the company should proceed to wind up its affairs, by sale or otherwise?—Yes.

2399. Do you think there is anything peculiar in the character of life assurance business which would justify the Legislature in interfering with it in a way different from other businesses?—Yes, both on account of the long period over which the contracts extend, and especially for this reason, that life assurance offices are now taking to make up their accounts on principles that would be scouted from any other department of commercial enterprise.

2400. Will you explain what principle you mean?—The practice of anticipating future profits, and treating them as assets. Allow me to suppose the case of a bank making up its accounts; it owes to its depositors 1,000,000*l.*; it has in hand 900,000*l.*; it puts down as an additional item of assets, profits, we will say at the rate of 10,000*l.* a year, valued at 20 years' purchase; by that means it makes its assets 1,100,000*l.* against 1,000,000*l.* of liabilities, and the result is stated to be a surplus of 100,000*l.* That principle would never be adopted in a bank, and I think it ought not to be adopted in an assurance company.

2401. But does it exist in assurance companies?—It is done.

2402. Is it done by assurance companies generally, or only in particular cases?—It is in considerable use, and the practice is extending.

2403. You mean, that in estimating the position of an office at any particular period, the funds to be derived from existing premiums against the existing risks are computed, the premiums in the gross instead of in the net?—They compute the premiums in the gross.

2404. Without deducting a certain margin for expenditure?—That margin is commonly not deducted at all.

2405. It is only when the margin is not deducted that your observation applies, is it not?—The deduction for expenditure is not all that is required; there should further be a deduction for the future profits.

2406. I am supposing the margin to include everything except the net arithmetical calculation of the risk which the office incurs?—Yes.

2407. Then anything that is to furnish future expenses or future bonuses or profits, in whatever shape they may be, is the margin which ought to be deducted from the future receipts of those premiums at any time when they are computed?—Yes. To make the case plain, suppose a man has just effected a policy, the risk on which would be paid for by 30*l.* a year; if the company charge 40*l.*, with a view to expenses and profits, the effect of the system of valuation, to which I have called attention, is that the surplus of 10*l.* a year is calculated according to the value of the man's life, and put down as an asset in the balance-sheet.

2408. But then your observation does not apply to any office which, in computing its future premiums as receipts, makes a sufficient allowance for the items of profits and charges?—No.

2409. Those are the two grounds on which you think that assurance offices require legislative interference?—Yes.

2410. But is the latter reason you have given not rather an accidental and remote one, not extending to all offices, or not necessarily extending to all offices, from the nature of the business?—The objection to legislative interference, I believe, is generally put into this form, "Why not leave us alone, like any other department of commercial enterprise?" to which I reply, "If you would conduct your

your business as other businesses are conducted, I should not think there was occasion for the interference of the Government."

2411. But suppose you find a certain number of traders taking stock at the end of the year, and you find that they are computing all the debts on the books as good debts, notwithstanding a person may have actually suspended payment, if the estate were not actually wound up, and you found a man was computing all debts as good debts, and therefore absolutely making up a balance-sheet upon an inaccurate principle, do you think, because he committed so obvious a mistake or fraud on his own mind, that therefore it was necessary for the Legislature to interfere on that account to make him do his business in a different way?—A simple trader has only to do with persons who are able to inquire for themselves, but an assurance company is a trustee for parties who have no means of taking care of themselves.

2412. Your answer now rather applies to the first reason than to the second?—I would rest mainly on the first reason, but I think the second fairly strengthens it.

2413. Do you think there is anything peculiar about erroneous accounts, and the mode of keeping their books, with reference to assurance offices, as compared with other public companies; suppose banks or any other public companies were to make an erroneous estimate of their assets, would it not be very similar to the error which these offices had committed in computing their assets erroneously?—The case would be just this, if a bank were to put down its issue of notes as an asset instead of a liability.

2414. Do you mean that as a parallel case?—I mean the case would be just the same if a bank were to put down as an asset its issue of notes.

2415. Do you mean to say, that that is a parallel case to the other?—That is a parallel case with regard to young policies.

2416. When an office computes its premiums, including the margin for expenses, it simply places to its credit a sum of money which it ought not to have, but if a bank were to place to its credit an amount which ought to be to its debit, it would simply represent double the amount?—That is exactly what the assurance offices to which I refer are doing. Here is a policy which the holder takes to be a valuable property, for the surrender of which the company will pay, we will say 50 *l.*; if you turn to their accounts, you will find they do not put that down as a liability for 50 *l.*, but as an asset of, it may be, 100 *l.*

2417. But surely no assurance office in making up an account, whatever it be, of its assets, would fail to look to its liabilities?—I can assure the Committee that many offices make out a surplus in that way; I do not say that they actually divide it.

2418. Will you explain what you mean by stating that no account is taken of risks or liabilities as against the assets said to be possessed?—I do not say that no account is taken of the liabilities of the company. The sum assured is valued and put on one side of the account, the claim of the company to receive premiums is valued and put on the other side of the account, and the latter is made out to be larger than the former; consequently, as I said before, a policy which the company would pay money to cancel appears in their balance-sheet as a valuable asset; that is to say, the same document is a valuable property to grantor and grantee.

2419. When you say they would pay money to cancel the policy, you simply state, I suppose, that the liability which stands now on one side of the account would be discharged by a given payment?—No liability does stand on their account; they call it an asset.

2420. Do you mean to say, that if a man's life is assured for 10,000 *l.* in an office, his future premiums are estimated at a particular moment to be worth 5,000 *l.*, that on one side of the account credit is taken for an asset of 5,000 *l.* from future premiums, and that no account is taken of the liability to pay 10,000 *l.* when the risk becomes due?—No, the liability to pay 10,000 *l.* is put down, we will say, at 4,500 *l.*, consequently 500 *l.* is the value the company attach to their policy, and at the same moment they may be willing to pay the man 200 *l.* or 300 *l.* to cancel the policy.

2421. In that case they put down a risk at 4,500 *l.*, and they put down the value of the future premiums at 5,000 *l.*, and therefore you say there appears a profit of 500 *l.*?—The effect is, that it appears as an asset of 500 *l.*

2422. Does not that arise simply from the fact that they anticipate future profits

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profits and future expenditure?—Exactly so; that is the evil I desire to call attention to.

2423. But I think you will see the effect of that is only that the 500 *l.* appears once upon the credit side of the account, and not twice; it is not withdrawn from the debit side of the account as well as being added to the credit?—True, it appears once as an asset of 500 *l.*, but at the moment that it so appears, the policy holder coming to the office could claim from them, and they would pay him, 200 *l.* or 300 *l.* to cancel the assurance.

2424. To wipe off that liability of 4,500 *l.*?—Yes, he at the same time taking from them what they estimate at 5,000 *l.*, viz., the future premiums.

2425. But the only effect of that would be to deprive them of a future profit of 500 *l.*; it still resolves itself into a simple error in the statement of the account of 500 *l.*?—An error, but one of the very greatest consequence, in my judgment.

2426. But you see the parallel case you alluded to with regard to a bank, supposed that you were going to put down as assets the notes in circulation, which are the liabilities of the bank, and, therefore, that that would not only reduce the liability by the amount of the notes, but it would increase the assets by the amount of the notes, and so have a double effect?—So in the case of an assurance company, they reduce their actual money to the extent of 200 *l.*, assuming that to be the sum they would pay for cancelling the policy, and they give up the 500 *l.* which stood to their credit on the balance of the account.

2427. But when they paid 200 *l.*, it would be to get rid, on the other side of the account, of 4,500 *l.*?—The transaction is this; 200 *l.* comes from the till; 5,000 *l.* comes from the asset side of the account, and on the other hand, 4,500 *l.* is released from the debit side of the account.

2428. You are supposing 4,500 *l.* to be struck out from both sides of the account, and in balancing the account, the assets balance the liability, the 500 *l.* being an asset over and above that?—They lose 500 *l.* which did stand to their credit, and they further lose 200 *l.* hard cash, which they pay from their till or their bankers to cancel the policy.

2429. So that although they get rid of a liability of 4,500 *l.*, they also get rid of an asset of 4,500 *l.* *plus* the 500 *l.* which they have calculated as profit?—Yes; and they further get rid of a present asset of 200 *l.* in cash.

2430. The account would stand thus: they get rid of a liability to the amount of 4,500 *l.*, but on the other side of the account they get rid of assets to the amount of 5,200 *l.*?—Precisely.

2431. Making a loss of 700 *l.*?—Precisely.

2432. Mr. *Chambers.*] I understand you, to adopt the phrase of the Chairman, that the office makes a loss of 700 *l.*?—Their account looks 700 *l.* worse, the moment after the transaction, than it did before.

2433. *Chairman.*] But to discharge a liability they are purchasing a policy, and when their accounts are all made out in their books, after they have discharged that liability, they stand upon the balance between assets and liabilities 700 *l.* worse than they did before they made the purchase?—Yes.

2434. That arises chiefly, does it not, from the fact that they have valued future profits, and taken as a present asset their future expenditure?—Yes.

2435. How would they be affected by this: suppose a man dies at the age of 40, whose life at that time would be considered worth 24 years' purchase, and they have calculated the premiums and profits on his 24 years' payments, and he dies, and the whole sum assured comes to be paid instead of the policy being purchased?—In that case they would be 700 *l.* the worse off for having kept their accounts in that form.

2436. Suppose they had made up the account just before the party's death, anticipating the 24 years' profit, and taking credit for 24 years' expenditure on that account, and instead of buying up the policy for 200 *l.* they paid the whole 10,000 *l.* for which his life was assured; if this purchase of the policy for 200 *l.* has the effect you have stated, would not the payment of the loss by the death of the party make it so much worse?—Decidedly, the account is so much worse who the man dies.

2437. Then ought there not to be a reserve fund or capital out of which that loss ought to be provided?—Yes; in all the safer companies, the value of the sum assured is represented considerably exceeding the value of the future premiums.

2438. What further acts of legislation would you suggest as being necessary, as you think the present are incomplete?—The only further step would be a return of the assets and liabilities.

2439. That would form the account that you would think necessary?—Yes; on that subject I wish to mention, that assurance offices are accustomed to prepare two accounts; the one is a cash statement of receipts and disbursements, the other is a return of liabilities and assets; the latter account, I think, may fairly be asked for, but the former should not be required.

2440. That is the account of receipts and disbursements?—Yes; on the ground that it is not essential to your estimate of the position of the company, and that Government, desiring to interfere as little as possible, should not call for anything that is not essential.

2441. But since you have told the Committee that the present accounts of assets and liabilities are so imperfectly made out, what authority would you attach to those accounts unless you had some means of testing the statements upon which they were made up?—That would be met by requiring simply that nothing in the nature of an opinion shall be allowed to appear; only the bare facts; nothing that involves judgment.

2442. Do you mean to say, when you have a statement of assets and liabilities, you would have those so set out that a person examining them, to discover the nature and character of those assets and liabilities, would know how the account was made up?—Yes, I would have a simple return; on the one hand the amount of assurances, and the premiums receivable thereon, classed according to the ages of the lives assured; on the other hand, a statement of the assets of the company, classed according to their character.

2443. What do you mean by their character?—Government securities, mortgages, and so on, they should each be kept by themselves. I should hope that no valuation would be requested or allowed, for if opinions be allowed to be appended, the consequence would be that the Government would be made a medium for advertising all sorts of opinions, and all sorts of fallacious valuations.

2444. You mean valuations of the assets?—Yes, of the assets and the liabilities. As to Government securities, for instance, I would simply have a return of how much stock there is, with no valuation put upon it.

2445. Do you think it necessary, with regard to mortgages, with the amount entered as on mortgage, to make a statement of the proportion upon which interest is paid regularly every year, and that upon which it is not paid?—That suggestion is new to me, but it strikes my mind as an exceedingly valuable one, because it would enable us to judge whether mortgages, which ought to be treated as bad, are still returned as good.

2446. Would a statement of a large amount on mortgage prove anything, unless you had some general test, without going into particulars, as to whether those were really *bonâ fide* good mortgages or not?—I do not think that there could be a better test than that just suggested, viz., the regularity of the payment of the interest. The only certain test would be names of the mortgagors, which of course would be out of the question, because they would be confidential.

2447. But you think, if there was a return attached to the amount on mortgage, of the proportion on which interest was regularly paid, that might be taken as a very tolerable test of the quality of the investment?—Yes; and further, I would exclude an item of assets which is very commonly inserted, I think improperly, viz., the past expenses of the company in setting up its business. It is very common now to say, that the preliminary expenses are to be spread over 20 years, and consequently, in the account of the first year, nineteen-twentieths of the money, the whole of which is perhaps irrecoverably gone, is put down as an asset.

2448. That would be very much like putting down a liability as an asset?—Just so.

2449. Are there not very large sums of money expended in buildings as places of business for assurance offices?—A great deal too much.

2450. What is the practice with regard to money so expended; as to estimating that expenditure, in what shape does it appear in the accounts?—I believe the interest of the money so expended is put as a part of the company's expenses.

2451. Without any provision for the capital?—Yes.

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2452. How is the capital usually raised; is it generally the assets of the company that are expended for the building, or is there a fund borrowed or subscribed?—I do not know; we are tenants; I do not know how it is in other companies.

2453. You are not acquainted with that?—No, I am not; I have no personal knowledge on the subject.

2454. But you believe that the practice is, with regard to the interest of money so expended, that it is charged as a current expense for the year, as a rent?—Yes, the interest and the expenses of keeping the building in repair; and assuming that the building is freehold, I see no objection to it.

2455. Everything would depend on the rate of interest put on, whether there is a sufficient amount of interest to cover any wear and tear of the property, or any decline in the value of the building?—The building, I think, is generally freehold, and therefore it is presumed to retain its value.

2456. Do not all buildings become the worse for wear at the end of 100 years, and become less valuable as buildings?—Yes, but the wear and tear is charged as an annual expense.

2457. The building may be kept up from the ordinary wear and tear, and yet gradually decline in value, though it is not lost for ever?—I am not aware that any special reserve is made for that, but it may be so.

2458. Are you not aware that all investments of buildings are calculated on a much lower rate than investments upon land, for the reason that not only is there a great risk of deterioration in point of situation, but also an obvious and constantly increasing deterioration in the value of the building itself?—Yes; but such buildings as assurance offices erect, with fair usage, may be expected to last almost for ever.

2459. Then you would consider it as an asset, the same as any other investment?—Just so.

2460. But an asset that never could be computed at more than it would sell in the market for at any particular time?—Yes.

2461. Altogether regardless of the original cost?—Yes.

2462. And therefore if there has been a great expenditure in ornamental buildings, that would not necessarily have a value in the market, that expenditure would be so much reduced in present value from the original cost of the building?—If I were concerned for a company that had a building of that kind, I do not know that I should recommend any set-off on that account, because there would be no probability of the company wanting to sell the building.

2463. But when you are going to value your assets, I take it you must value them in relation to the part they must fulfil in discharge of the liabilities, must you not?—That generally would be the question, but I do not think the probability of the building having to be sold would ordinarily occur to an actuary in making his valuation.

2464. Are the particulars which you have stated in the form of the account, all you would suggest as being necessary for the purpose?—Yes.

2465. Then it would not be so much in the shape of a debtor and creditor account, as a statement of assets and liabilities?—A simple statement of assets and liabilities, so classed as that any actuary can estimate their value, but not published with a valuation appended to them.

2466. Is there any easy means by which the whole liabilities of a company can be estimated; would you suggest any such means?—If we had the means of applying it, I do not think there can be a better rule than that suggested by the previous witnesses, viz., that the reserve to be made should be one half of all the premiums paid on all existing policies; but in order to apply that rule, one would wish to know for every policy the number of payments made, and the annual premiums, and you must multiply those together, and add up all the results. That is a very long process. I hold in my hand a table which was printed in the "Morning Chronicle" three or four months ago, which I think gets over that difficulty.

[*The same was delivered in, as follows:*]

TABLE

TABLE showing the Value of the Liabilities of a Life Assurance Company in Terms of the Annual Premiums.

J. A. Higham, Esq.

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Age of the Company.	Mean Age of the Assured at Entry.					The whole Business.
	20.	30.	40.	50.	60.	
Years:						
1	.72	.71	.72	.73	.71	.72
2	.92	.91	.93	.94	.91	.92
3	1.11	1.10	1.14	1.14	1.09	1.12
4	1.27	1.29	1.35	1.34	1.28	1.32
5	1.43	1.48	1.56	1.52	1.47	1.51
6	1.57	1.67	1.76	1.71	1.66	1.70
7	1.73	1.85	1.97	1.90	1.82	1.89
8	1.88	2.03	2.18	2.08	1.98	2.08
9	2.03	2.21	2.39	2.26	2.16	2.26
10	2.17	2.39	2.59	2.43	2.32	2.44
11	2.32	2.58	2.80	2.61	2.47	2.64
12	2.47	2.77	3.01	2.79	2.62	2.82
13	2.61	2.95	3.21	2.97	2.77	3.00
14	2.77	3.15	3.41	3.13	2.90	3.18
15	2.92	3.33	3.62	3.31	3.04	3.37
16	3.06	3.52	3.80	3.48	3.18	3.54
17	3.21	3.72	4.00	3.64	3.28	3.72
18	3.36	3.93	4.20	3.79	3.40	3.89
19	3.51	4.12	4.40	3.95	3.49	4.06
20	3.66	4.33	4.58	4.08	3.58	4.25
21	3.80	4.53	4.75	4.24	3.66	4.41
22	3.95	4.73	4.94	4.38	3.73	4.58
23	4.11	4.93	5.13	4.50	3.79	4.73
24	4.26	5.13	5.31	4.62	3.84	4.89
25	4.42	5.32	5.49	4.74	3.88	5.05
26	4.57	5.52	5.66	4.85	3.93	5.19
27	4.74	5.70	5.83	4.94	3.97	5.33
28	4.90	5.89	5.98	5.04	4.00	5.48
29	5.05	6.08	6.15	5.13	4.04	5.62
30	5.21	6.25	6.32	5.20	4.06	5.77
31	5.36	6.43	6.44	5.28	4.08	5.89
32	5.50	6.59	6.58	5.35	4.09	6.01
33	5.65	6.76	6.70	5.41	4.10	6.12
34	5.82	6.92	6.82	5.47	4.10	6.24
35	5.97	7.08	6.92	5.52	4.10	6.34
36	6.10	7.21	7.03	5.57	4.10	6.44
37	6.22	7.35	7.13	5.61	4.10	6.53
38	6.35	7.46	7.21	5.65	4.10	6.61
39	6.47	7.60	7.30	5.66	4.10	6.68
40	6.58	7.71	7.36	5.67	4.10	6.73
41	6.71	7.82	7.43	5.69	4.10	6.79
42	6.82	7.92	7.48	5.71	4.10	6.86
43	6.94	8.02	7.53	5.73	4.10	6.92
44	7.05	8.10	7.58	5.74	4.10	6.97
45	7.17	8.19	7.62	5.74	4.10	7.02
46	7.31	8.26	7.66	5.74	4.10	7.06
47	7.45	8.34	7.69	5.74	4.10	7.11
48	7.58	8.41	7.73	5.74	4.10	7.16
49	7.71	8.51	7.76	5.74	4.10	7.21
50	7.83	8.56	7.78	5.74	4.10	7.24

The foregoing table is intended to show by what quantity the annual premiums receivable by a life office must be multiplied, to give approximately the value of its liabilities by Mr. Davies's Equitable Table at 3½ per cent., without anticipation of future profits.

Mr. Morgan's record of the experience of the Equitable Society, and the report of the Committee of 1838 on the experience of 15 other offices, furnished the means of calculating the number of policies which, after writing off deaths and withdrawals, continue in force, year after year, out of given numbers entered at the following ages; viz.—

2,526 at ages 18, 19, 20, 21 and 22.
8,548 „ 28, 29, 30, 31 and 32.
7,477 „ 38, 39, 40, 41 and 42.
4,284 „ 48, 49, 50, 51 and 52.
1,624 „ 58, 59, 60, 61 and 62.

Then, assuming an uniform number of new policies to be effected in the course of each year, the value of all policies continuing in force at the end of each year was calculated, together

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together with the amount of the annual premium receivable thereon, and the former divided by the latter gives the quantity recorded in the table, which is consequently the value of the company's liability, in terms of the annual premium. The premiums assumed were the following average rates; viz.: Age 20, 2*l.*; age 30, 2*l.* 10*s.*; age 40, 3*l.* 5*s.*; age 50, 4*l.* 10*s.*; age 60, 6*l.* 10*s.*

The applicability of the table to a particular office depends on the following conditions; viz., 1. The amount of new business effected in each year of its history must have been something like uniform; and, 2. The regulations of the office, as to the distribution of bonus, must not have been such as to have occasioned a material difference between its experience and the average experience of other companies, as to the ages at which people insure, or as to the number of discontinued policies. If the company transact a declining business, and if its arrangements have been such as to attract young lives, and to discourage the subsequent discontinuance of their policies, these are so many reasons why the reserve must be larger than shown by the table. As an extreme case, there is one society in which, under the operation of all these causes, a reserve of twelve times the annual premium is required, besides the value of the declared bonus.

From these considerations, and from an inspection of the table, it will appear that it cannot be applied with safety to an office of more than some 12 or 15 years' standing, except by a practised actuary, capable of judging of the extent of allowance to be made for the peculiar circumstances of the company.

But the early part of the table may be used by any one with great readiness; for example, a company which was established in 1846, has now an income of 20,000 *l.* a year in premiums. Assuming the business to have been steadily acquired, year by year, and disregarding the circumstance that some part of the policies are for short terms (a point of small consequence in estimating a young office), the value of its policy-risks may be taken to be about 20,000 *l.* multiplied by 1·89, or 37,800 *l.*, and the clear assets ought therefore at the least to amount to this sum.

If any bonus has been declared, its value must be reserved in addition. In an office of not more than 15 years' standing, about 55 or 60 per cent. on the amount of the reversionary additions may probably be sufficient for this purpose.

2467. This is a table showing the value of the liabilities of a life assurance company in terms of the annual premiums, containing in the first column the age of the company, in other columns the mean age of the assured at entry, and the whole business?—Yes. The last column is that for general use; the earlier columns are given to enable others to test the calculations.

2468. Do you think, the age of the office being given, and the table of the pending risks with the amount of premiums paid, and the ages of the parties classified in that form, this would give a facile mode of determining whether the assets of the company were adequate to meet their liabilities?—For making use of that table, I want nothing more than the age of the company, and the whole amount of premiums it has to receive this year.

2469. Without reference to the amount of its risks?—Without reference to the amount of its risks. The construction of the table is explained, and therefore I need not trouble the Committee with any remarks upon it.

2470. With the use of the table you only want those two facts?—Yes; this table is intended to show by what quantity you must multiply the annual premiums receivable on the policies, in order to get at the value of its risks under ordinary circumstances.

2471. Mr. *Chambers.*] I think I understand you to say that you look on a paid-up capital simply as of importance as a guarantee of the *bona fides* of the parties who set up any office?—That is the only ground on which I would ask to have it made a legislative enactment. As a matter of opinion, I think it highly desirable to have a proprietary subscribed capital.

2472. But as a question to legislate upon, you recommend that a sum of money shall be deposited with a public officer, I think you say, as a guarantee for the honesty and ability of the parties who set up the office?—I think that is the only ground on which the Government can ask for it.

2473. Would any other step which could be suggested furnish you with a guarantee as satisfactory as the payment of that sum of money?—I do not think that anything could be so satisfactory as a bail in money.

2474. Supposing the proprietors of the company were to deposit their title-deeds with a public officer?—That might do, but it would involve trouble. The title and the value of the property would have to be investigated.

2475. I put the question to you, because, as I understand, the only value you attach to a deposit of money is as a guarantee of *bona fides*, and I could suggest a great many other modes of effecting that; you suggest that it is to be deposited as caution money merely, and that it is not to be taken out, except with a view to wind

wind up the affairs of the institution?—Exactly. If the Government were to require a capital on any other ground, they would say, what I think would be quite correct as a matter of opinion, that the proprietary system is the only right mode of transacting the business; but I do not think the Government ought to be asked to do that.

2476. I believe you are in a minority in entertaining that opinion as to the advantage of proprietary over mutual institutions?—I may be in a minority at present; I believe before long I shall be in a majority; I think opinions are coming round.

2477. I understand you to say, that the error in making up accounts is, that there is a calculation of future profits?—Yes; that is the simplest way of putting it.

2478. That is, profits which may or may not be earned?—Yes, just so; suppose a tradesman is taking stock, for example, and values everything at selling prices.

2479. Your objection is, that the profits are contingent, and should not be calculated?—That is one objection.

2480. Does not that objection apply, not to the portion of the amount put down as an asset which represents profit, but to the whole sum which is put down; is not the whole of it contingent?—It is contingent, but the contingency cannot turn against you if you have excluded the future profits; because, if you lose your future premiums which you have put down at a small sum, you relieve yourself from your liability which you have put down at a greater sum; you gain, therefore, by the party dropping his policy.

2481. Assuming the account is so made out, must not every such account show a great loss on the business; if every separate account was valued, and the sum put down as the value of your liability was more than the sum you put down on the other side to be received, must not the accounts of every assurance company show a great loss?—Yes; every actuary making up his accounts should reckon on that, but it is met by the money saved from premiums.

2482. But putting down the liability, the amount of which is contingent, as I may not have to pay it, why is it unjustifiable to put down on the other side a receipt which is contingent, and which I may never have; is not the contingency on the one side of the account exactly balanced by the contingency on the other, not in any individual item, but in the whole account?—The contingency certainly applies to both sides, but as to the possibility of your sustaining loss, that will depend upon whether you have made out the balance from those contingencies in your favour or against you.

2483. Surely the fact of loss cannot depend on the mode in which you have made out the account; the making out of the account cannot affect the determination of the contingencies either way, and therefore the mode in which the account is made out cannot in any way affect the result?—Not as regards death, but it may as regards the voluntary abandonment of policies.

2484. Taking a thousand items on both sides, treating the whole as contingent, and reducing them to an average afterwards, which is the whole principle of life assurance; on the one side, I admit the contingent amount of net premiums which I shall receive, and the contingent amount of premiums which are profits which I shall receive; on the other side, I put the contingent liabilities on the whole of the policies on which these premiums are to be paid; can you suggest that the principle, being uniform from one end of the period to the other, and on both sides of the account, can be wrong, because it anticipates contingent profits?—All depends on whether you act upon it or not; if you call it an asset, and divide on the strength of it, paying out bonuses to persons who happen to die early, and after that, public confidence in the company is shaken, and a large number of persons withdraw, then those who are left are clearly injured by your mode of making out your account.

2485. That is to say, if a contingency occurs which has not been provided for, the result of the valuation is affected?—Yes; a contingency which it is essential should be provided against.

2486. Your practical knowledge of the modes of making out accounts would seem to result only in the case of their dividing a bonus to the full extent of the profits which the accounts show?—Yes, they cannot help dividing it, or at least so much of it as will make a satisfactory bonus.

2487. Do you know any office which actually divides up to the hilt, to use a common

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common phrase, viz., the profits which the accounts show, without any reserve?—I see the accounts of one company in the returns to the Registrar which had not money to pay tradesmen's bills, and therefore was clearly insolvent; it only made a clean account by putting down on the assets' side the value of its future profits. This amounts to spending the future profits.

2488. Suppose that company had offered its business for sale, and suppose the terms on which that sale was concluded had shown that the business was worth what they had put down in the accounts, would that affect your opinion as to the solvency or insolvency of the institution?—Yes; because, although in the present unhealthy state of life assurance business, the business of one company may be transferred to another on such terms, I hope that will not long continue, and the probability of their being able to sell on such terms is constantly becoming less, as things are better understood.

2489. You think an article is not worth what it will fetch in the market?—I do not think it safe, in this case, to assume that it will always fetch what it will now fetch. You asked if I could instance a case where the profits shown in that fashion had been touched: the case has occurred within a month; the actuary of the company reported a surplus of 60,000 *l.*, but at the same time advised that none of it should be spent. We know what that means, viz., that it was this sort of imaginary surplus.

2490. Was a division made?—It is impossible for a company to meet proprietors and say, "Here is a large surplus, but there is nothing for you;" consequently, the directors, in spite of their actuary's opinion, allowed a dividend of 5 per cent., a further bonus of 2½ per cent., and a proportionate bonus to the policy holders.

2491. In money?—It was divisible in money in the first instance, but it was converted into options of an additional assurance or a reduction of premiums. One of the proprietors objected to dividing profits in the face of their actuary's recommendation; the managing directors replied, "We have no means of measuring the organ of caution which our actuary possesses; if the surplus had been 100,000 *l.* he might have said the same; we therefore feel justified in recommending this distribution;" and the distribution was resolved upon.

2492. I am very anxious, if I can, to ascertain from you what distinction you draw between the principle on which a calculation would be made out which should show the society solvent, and the principle on which a calculation would be based which should show that it had made profits?—Assuming the profits in the latter calculation to be unreal, my objection is, that it is unfair as between persons now assured and persons further to assure.

2493. But they do not calculate the profits of the business which have not been obtained at all?—No; but they ought to have in hand such a sum that persons coming in as new customers should be on precisely the same footing as old customers. To make that plain, suppose a man assured his life at an age requiring a premium of 35 *l.*; that he is now at an age that would require an annual payment of 40 *l.*, the company ought to have in hand, in respect of his policy, the present value of 5 *l.* a year for his life; that is to say, they ought to estimate the risk under a policy always as a positive quantity; the valuation which I am endeavouring to explode puts down the value of the risk for many years as a negative quantity.

2494. I will take this case: a company has in hand half the amount of the premiums which have been paid, a valuation of its assets and liabilities is made out, and credit is taken for the payment of premiums which make it solvent; does not the same objection lie against taking credit for the premiums which are necessary to make it solvent, that lies against taking credit for premiums as earning profits, viz., the objection that the premiums are contingent?—No, because in the one case you reckon on an annual loss as long as the man shall live, in the other case you reckon on an annual profit as long as the man shall live; the former is safe, the latter is unsafe, for if he drop his policy your profits are at an end.

2495. The question the Chairman put to you was this: A man pays 30 *l.* a year; 20 *l.* is necessary to cover the risk; 10 *l.* is necessary to earn profits: why are you to say that calculating on receiving the 20 *l.* is right, although it is contingent, and calculating on receiving the other 10 *l.* is wrong, although it is only contingent on the same condition on which the other 20 *l.* is contingent?—The great objection is, that the one is safe and the other unsafe.

2496. *Chairman.*]

2496. *Chairman.*] Is there not this clear distinction, that you put in the one case a contingent receipt against a recognised risk, that being for the company the only question, and in the other case you put a contingent receipt, which, if received, still will not go to the account as an asset of the office, but as an asset expended in the current expenditure, and, therefore, never becoming mixed at all with their profits, and not divided?—Yes.

2497. Is there not that distinction?—Yes.

2498. Mr. *Chambers.*] Do you actually estimate the receipt of a sum of money, so far as contingency is concerned, as depending at all on the mode in which the sum is to be disposed of, if received?—As regards the bare value of the risk, you reckon on receiving that which you will receive if the man live; as regards the provision for expenses, you reckon on receiving what you never will receive; it would pass by you immediately in expenses.

2499. I understand you to object, not that they have calculated on receiving such a portion of the premium as is necessary to cover the expenses, but such a portion of the premium as would, if received, be profit?—The two will be included always.

2500. Therefore I exclude from my questions such portions as may be necessary to cover the expenses; I only refer to this, if there is any portion of the premium more than enough to cover the risk, and more than enough to pay expenses, is there anything unfair in calculating that, because it is contingent, more than calculating the payment, that being alike contingent?—I may put my objection thus: we do not charge professedly for profit, but we take certain contingencies which we cannot include in our calculations, viz., deterioration in the value of life, fluctuations in the rate of interest, loss by mortgages, and so forth. If I put down the margin for profit as a present asset, I at once undo what I did in my original calculation of the premium as a provision for such special contingencies.

2501. I will just put one question to you upon the illustration which the Chairman put to you: a man is assured for 10,000 *l.*; 5,000 *l.* is put down as an asset against that, and 4,500 *l.* is the liability, and the day after, that policy is sold, and 200 *l.* is paid out of the till of the office to discharge that liability; your argument is, that the account is then made worse by 700 *l.*?—Yes.

2502. Now, take this case: the account is made out in that way, 4,500 *l.* on the one side, 5,000 *l.* on the other; and the day after the account is made out, the man dies, and 10,000 *l.* is paid on his policy by the office; is not the account damaged to the amount of 6,000 *l.*?—The damage is 10,500 *l.*

2503. Now, inasmuch as the account then is not only damaged, but so much more damaged by the contingency against which life assurance is intended to provide, viz., death, than it would be by the contingency of the policy being sold, does not that fact shake your opinion that the account is wrongly made out, because it is liable to be shown wrong in a particular instance by a subsequent event?—I do not think that case shows the account to be wrong; my case is that of a voluntary surrender.

2504. You pay 10,000 *l.* on a liability, which is only estimated at 4,500 *l.*?—That is one of the ordinary contingencies calculated upon, viz., death

2505. Why should the other not be so too?—We have not the means of calculating it.

2506. Do you mean to say that life assurance does not calculate upon the chance of a policy being sold to the office?—We have not the means of calculating that; we do not know who will surrender, or how many.

2507. Is it not known there are certain contingencies which are included in the calculation of the tables?—Yes, just so; and that is just my objection, that the calculation ignores the probability of so many policies being sold.

2508. *Chairman.*] But I understood your answer, in the first instance, thus: that suppose 4,500 *l.* is put down as a liability, and that only 5,000 *l.* is put down as an asset, omitting the 500 *l.*, still if 200 *l.* were paid on the next day, the account would be 200 *l.* worse after the liability had been discharged than it was before?—Yes.

2509. But I understood you that 4,500 *l.* was the fair and legitimate value of the risk for which your premiums had been paid, and for which your calculations had been made?—Yes.

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2510. Then your objection to it was only to crediting the account with 500 *l.*, which was put down as damages afterwards?—My objection goes beyond that: a sound calculation would not take as an asset the value of the risk on the policy. In the supposed case, any company, valuing soundly, would have some 300 *l.* in hand, reserved expressly as its liability under that policy, and then the surrender of the policy is a gain to the company.

2511. In what form would that 300 *l.* come out?—It would appear among the items of the value of existing risks, as a liability.

2512. But on one side you put the value of your risk at the moment, and on the other side you put the value of your premiums exactly calculated to cover that risk; in what way would you make the balance in favour of the company?—Some offices put down, on the one hand, the value of their engagement to pay the sum assured; on the other hand, the value of the premiums they have to receive; others simply put as a liability the value of their risks, taking the difference between the two quantities.

2513. In that case the difference between those two quantities would be the margin for expenses and profit?—No; because in making their calculations they would throw off from the premiums receivable such margin; I am supposing the case of what I call a sound company.

2514. In the case of paying the whole loss in case of death, the only disadvantage which you suppose the company to labour under in that case, over and above what it had a right to expect, and what it had provided for in its premiums, would be simply the 500 *l.* which had been anticipated as future profit?—In the one case they lose the 10,000 *l.* and the 500 *l.*; in the other they lose the 10,000 *l.* less the 300 *l.* I am speaking of how the account will stand in the morning of the day and in the afternoon of the day.

2515. Mr. *Cowan.*] You have expressed a very decided opinion in favour of the publication of certain accounts, or, rather, facts deduced from the accounts of a company; will you be so kind as to say to whom you conceive those accounts should be submitted, with the view to an opinion being taken upon them?—To no one.

2516. With whom would you propose that they should be lodged?—With the Registrar of Joint Stock Companies.

2517. Without any opinion on the part of the office?—I would not permit any opinion.

2518. Have you any form prepared which you would recommend to be adopted to bring out the facts?—The form of the Equitable Society, which is mentioned in the Report of the Committee of 1844, I think would answer the purpose.

2519. I suppose that form is much more minute than the one that appears in the published accounts returned to the Registrar-general? There would be simply, on the one hand, an account of the policies, the premiums payable on them, and a classification of the ages; and, on the other hand, the assets, stating particulars as to their nature.

2520. But of course the position of a respectable office would depend on the valuation, which would be worked out according to the materials that would be so furnished?—Yes.

2521. How would you propose to arrive at that valuation?—I would let the inquirer make it out for himself; if you allow the company furnishing the account to append a valuation, the Government will become publishers of puffs.

2522. Having attached great importance to the publication of accounts, do you conceive the majority of the public would be sufficiently enlightened by the materials being furnished in the way you indicate, allowing that portion of the public not competent to the task to work out a solution of the problem as to the position of each and every company?—I think if such a return were made, we should very soon have a publication by some one or other, containing a valuation of all the accounts; and such a valuation would of course be made according to one rule, because one man may be supposed to do it; but if the offices are allowed to append valuations for themselves, some will be done upon one principle and some on another, and the cautious companies would show to a very great disadvantage when compared with other companies whose opinions are in favour of the new system of valuation.

2523. Mr. *Chambers.*] Would there not be a good many valuations published on different principles?—There might be; but if any one made a valuation of the whole upon one principle, we should be enabled to judge of the relative position of each office.

2524. *Chairman.*] Of course, with those facts, no company could be flagrantly insolvent without its being known to the public?—No.

2525. Mr. *Cowan.*] As you referred to one or two cases which have occurred within the last month, involving great insecurity to the public, can you furnish, either from your own knowledge of actual cases which have occurred, or on the general nature of the accounts put forth, a *vidimus*, or exposition, of what you conceive to be the faulty working up of the accounts?—I think in the description I have given you will find all you desire.

2526. *Chairman.*] Does this occur to you as one reason, at all events, in favour of the anticipation of future profits, that if the profits arise they are profits on business actually in existence, and they are profits therefore which ought in equity to be appropriated to those whose premiums they are, and not to those who come in afterwards, and who do not assist to make those profits?—I do not think it fair at all, that persons at this moment assured in a company should spend both present and future profits; let them spend at the end of 1853 the profits earned in the year 1853.

2527. But if, on a valuation in 1853, the existing policy holders by the payment of their premiums would not only cover the risk which the society has incurred, but leave a balance, why should the division of those profits be left until a time when there are a great many members of the society who have not assisted in earning them, and who are not equitably entitled to share them?—I think a great deal too much is made of the labours undertaken by the early members of an assurance company; it is true they bear, or ought to bear, heavy expenses in proportion to their premiums, but on the other hand, they have a great advantage in the small mortality to which the society is subject in early years, and I think if a company went on from the first, paying every year the expenses incurred in the year, and appropriating only the profits earned in the year, that in the long run the interest of all parties would be fairly adjusted.

2528. Mr. *Chambers.*] Do you object to a surplus account, by which the preliminary expenses, which are so heavy, should be spread over a number of years?—Yes, I would have all expenses paid when incurred.

2529. Then would not you charge the early members of an assurance company with the whole expense of setting up a very costly apparatus, and putting it in motion, depriving them of the profit which their own premiums undoubtedly might earn?—Let them have those profits when they are earned.

2530. You think that ten years afterwards an account should be made out, on a principle which should give them that profit which they had earned, as distinct from those who come in afterwards?—To take your illustration, the premium supposed affords 10 *l.* a year profit in the year 1853, and the company should spend the 10 *l.* earned in that year; it should not spend all the sums of 10 *l.* that ever may be earned on that policy.

2531. *Chairman.*] Suppose they divide the profits now, on the principle that they are entitled to the profits arising from their own premiums, and that any number of them either should die the following year, or give up their policies, would they not directly have anticipated profits which would be to the disadvantage of future assurers, and which could never be gained?—The contingency of death is reckoned on, and would not damage the account as regards the sum assured; but it would as respects the bonus additions, allotted out of the future profits.

2532. Although the contingency of death is provided for, any profit that may arise from their policy is not provided for; and would not a division of profits which are never earned injure the general funds of the society, and its security for the payment of its intermediate and future risks?—Undoubtedly it would.

2533. Mr. *Cowan.*] You have expressed the opinion that every company ought to have a paid-up capital; do you conceive that that paid-up capital should be the same in all cases, whatever the extent of the company?—As a matter of opinion, I hold that the capital ought to vary, and ought to have reference to the probable

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amount of the company's engagements; but the caution money, I consider, should be the same in every case.

2534. What sum do you think would be sufficient as caution money?—I think 10,000*l.* would be sufficient.

2535. *Chairman.*] That is the sum you mean to be set aside in the hands of a Government officer?—Yes.

2536. Mr. *Cowan.*] The office you represent is one of the oldest in England?—Yes; there is but one older.

2537. Which is that?—The Amicable.

2538. You carry on the business of insurance against fire, sea risks, and on life?—Yes.

2539. Did your office carry on those various departments simultaneously from its earliest institution?—Sea assurance was the original business of the company; the life and fire businesses were taken up in the year following, viz., 1721.

2540. Do you think there is an additional risk to the public from so many different elements as in sea, fire, and life insurances being mixed up?—I think the risk is not nearly equal to the advantage from the diminution of expenses which results from our having one board of directors, and one house, and from many other expenses, being in common, and divided between three departments.

2541. Is it not the fact, that for the last few years the sea business has generally been a very disastrous one?—A few years ago it was disastrous; but now it is recovering, it is profitable.

2542. You informed us that the Royal Exchange Company was originally a proprietary company, but on life assurances you give off a considerable portion of the profits of that part of the business; may I ask what proportion that is?—Two-thirds of the profit on all present life business; not simply on the participating business, but on all life business; with reference to that point, I should like to observe, that some companies, which profess to give very large shares of profits to the assured, first of all pay the proprietors for the guarantee of their capital, so that a company which professes to give most to the policy holders may not in reality do so.

2543. What table of rates do you use?—We use Davies's Tables of Mortality, founded on the experience of the Equitable Society.

2544. May I ask what rate of interest you assume in your calculations for the improvement of capital?—Three per cent. in our annuity affairs, 3½ per cent. in our life assurance; but our calculations do not require us to make 3 per cent., because the margin for profit would admit of our making much less interest. It comes to the same thing, whether we take 3½ per cent. interest and put on a large margin, or take 3 per cent. interest and put on a small margin; the commercial consideration determines the amount of our premiums; the mode of calculation is a matter of official convenience.

2545. From the state of the money market within the last few years, do you not believe that there will be an increased difficulty with assurance offices in improving their capital to advantage?—I think that is a point that we ought to have in mind; we are quite prepared for that.

2546. Mr. *Chambers.*] What capital have you got paid up?—A little under 700,000*l.*

2547. Have you ever spent a shilling of it to pay losses?—I cannot say; my memory only goes back over a very small part of the company's experience; I presume not.

2548. What is the use of a capital, then, to provide for those special contingencies which you hinted at in the early stages of assurance societies, and which 130 years have not furnished your office with an instance of? What are the contingencies?—I mean such, for instance, as the conversion of the national debt, and a general reduction of interest.

2549. Is that one of the contingencies you think ought to be provided against?—That is a possible contingency which ought to be borne in mind.

2550. Mr. *Cowan.*] You have been in the habit, in your various branches of assurance, of paying a duty to the Government on your own returns, as in the case of the stamp on fire policies?—Yes.

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2551. Do you believe it might be advantageous that you should be allowed to have the same privilege, with regard to the duty on life policies, which you are aware is proposed to be very considerably reduced by the new tariff; do you think, if assurance companies were to give in returns to the Government of the amount of duty on those life policies, in the same way that fire insurance offices do on fire policies, looking to the advantage of information as to facts, that might afford valuable information as to the amount of business carried on by life assurance companies?—I do not think that information would be of any value; it would simply show how many policies the company is issuing, or rather how many stamps the office buys, for it might buy policies and tear them up.

2552. You are aware that it is proposed to be an *ad valorem* duty?—Yes.

2553. Supposing the offices were to give in a return of the actual amount of assurances they had effected, the aggregate of all that would give the information, inasmuch as the amount of duty would indicate exactly the amount of business done, would it not?—No; because the company might buy a great many stamps and tear them up, with a view to the appearance of a large business, if they knew that the return was to be published.

2554. Would not the same objection apply to invalidating the returns furnished by fire insurance offices?—No, it would be a very costly business to run up an amount of fire duty in that way.

John Hornby, Esq., called in; and Examined.

J. Hornby, Esq.

2555. *Chairman.*] ARE you in favour of a fixed sum of money being paid into the hands of the Government as a test of and security for the *bonâ fide* intentions of the promoters of a new company?—Decidedly not.

2556. What office are you actuary of?—The Prince of Wales Office, 105, Regent-street.

2557. Is that a mutual or a proprietary office?—It is at present a proprietary company, with a small paid-up capital.

2558. How long has it been in existence?—About 18 months.

2559. You have a paid-up capital?—We have a paid-up capital of 10,000*l.*

2560. But you say you are adverse to have a capital?—No, I am not adverse to having a capital; I am adverse to paying it into the hands of the Government.

2561. The question I meant to ask was, whether you were in favour of a paid-up capital?—I am in favour of a paid-up capital; a small one, not as a guarantee of the *bona fides* of the undertaking, but because the business will increase much more rapidly with money than without it; the same amount of business will be done in three years that would otherwise be done in six.

2562. What you want a paid-up capital for is for the purpose of being used for promoting the business?—For the purpose of being used for promoting the business, for establishing branch offices, and starting the company as it ought to be started.

2563. Who do you propose should subscribe the capital; the promoters?—No, a proprietary. We have the power of paying off the proprietors in five years, if it should be deemed advisable, but our proprietors in the mean time are liable to the loss of 10,000*l.*; in fact, they are liable to the loss of twenty times that; they sign a deed for 200,000*l.*, and pay up 5 per cent.

2564. Your subscription capital is 200,000*l.*, and the paid-up capital only 10,000*l.*?—Yes.

2565. But the proprietors are liable to the full amount?—They are liable to the full amount. One reason why I object to the capital being paid into the hands of the Government is, that it is usual for new offices, since 1844, not to allow their proprietors less than 5 per cent.; I presume the Government would not pay them more than 3 per cent. for the money. With their capital they might create a large portion of their business, for we may doubt whether they would spend the whole of the 10,000*l.* in establishing the company at first. Some companies create a considerable portion of their business by investing their money upon personal security. They have the security of three parties, the borrower, and two sureties, and they make a very large interest for their money by that means.

2566. Is there not always a corresponding risk where a high rate of interest is received?—There is a certain risk, but in this case it does not correspond with the

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the rate of interest; practically, very little money has been lost by that mode of investment.

2567. Do you mean you have no other security than the personal security of the principal borrower and two bondsmen?—Yes, the principal and two sureties.

2568. Then everything must depend on the care with which those loans are made, and the securities taken?—Everything must depend on that. There are societies in London and other large towns where you can ascertain in half an hour the respectability of a man, and his means of paying.

2569. How long has that practice been in extensive use?—I do not know exactly; I should think eight or nine years; long before the formation of the company I represent.

2570. Do you think that any great number of offices invest their capital to any important extent in that way?—Many offices of undoubted standing and respectability do so. Not long ago one of the oldest offices obtained permission to employ their money in that way instead of investing it in Government securities. They had difficulties to contend with, but they succeeded, and the consequence was, that their new business in the following year was something like 12,000*l.* in premiums, whereas it had been under 2,000*l.*

2571. How did that increase of premiums arise; do I understand that the party borrowing not only gives security for the sum borrowed, but that he assures his life also?—Certainly.

2572. Then he pays 5 per cent., and the premium on the life assurance besides?—He pays 5 per cent. on the loan, and the premium on the life assurance besides, the policy for which is retained by the company until the loan is paid off.

2573. What rate of interest would the two together amount to, upon an average?—Supposing the policy to be valued as worth nothing, and the premium calculated in addition, the interest would be very heavy, indeed; it would amount probably to 15 or 16 per cent.; but the parties who go to an assurance company generally contemplate continuing the policy after the loan has been paid off, otherwise the per-centage would be very high.

2574. Is it the case in some offices, that after the loan is paid off, the policies are continued?—I think, from my experience of other offices besides my own, that about two-thirds of them are continued.

2575. Has that experience gone over a number of years?—I was seven years in one of the best of the old offices, and I have been about two years in my present one.

2576. Did the old office in which you were do business of that kind?—No, not at that time; I was acquainted with many that did, and they did not invest their money in Government securities or mortgage.

2577. I suppose the object of making loans of that description is two-fold; first, to employ their money; secondly, to induce new business?—Yes; or principally to induce new business.

2578. Are you in favour of furnishing annual accounts?—I hardly understand how I am to answer the question. If nothing had been done hitherto I should not be in favour of furnishing accounts to a government officer, but as the system has been commenced I am in favour of its being continued.

2579. Are you of opinion that the present mode of furnishing those accounts is satisfactory?—Not in all cases.

2580. Could you suggest any uniform form that would make them more satisfactory?—I should be very sorry to suggest a form unless I thought it was to be compared with others; I think the best course would be, for the Government to ask every actuary to submit a form, and to select one. I think the plan Mr. Higham mentioned would be good in one respect, it would procure a statement of facts; we should learn more from a few facts than from a regularly compiled account.

2581. With regard to those offices which are doing a large business of a smaller description, the expenditure in those offices is very large, in proportion to the amount of premiums?—Yes, in some.

2582. Do you think there is any justification for that expenditure being so much larger?—It has been large in some instances, but I think there is a justification for that; I know of one company who two or three years ago commenced industrial

industrial business in a most praiseworthy manner, and they have since reduced their expenditure very much indeed, and have obtained an average in the number of lives assured such as no other company has ever done in the time.

2583. Do they charge higher premiums for the increased expenditure?—I can only answer for my own company, and they do. We have gone a step beyond mere small assurance policies, and have issued policies, of which Mr. Neison has spoken here, viz., sickness policies, assuring an allowance in sickness under a stamp. There is additional expense in collecting the money, and in the case of my own company, that is provided for by a higher rate; and the expense of collecting is not so great as it is supposed to be. The principal expense is in first bringing the subject prominently before the notice of the working classes in every town; it requires lectures, and even placarding the town to attract their attention.

2584. Then yours is a mixed office, on the principles of life assurance and what may be called friendly societies?—We are not under the Friendly Societies Act; the proprietary are liable for the losses in the sickness department also; they transact the business on their own account, and issue policies under a stamp, which the friendly societies do not.

2585. What proportion of the premiums received do you think a company might safely spend within the year?—I think there is a very sound test, which might be applied to every company, if we had the means of knowing what their new premiums and their expenditure were. A company could not be going towards insolvency if they only spent the amount of their new premiums. It would be a very useful test to apply. If the amount of premiums which they receive on fresh business in each year exceeds their expenditure or is not less, they must be progressing favourably, because, on the smallest margin they can afford to spend their first premium on a policy.

2586. You think they can afford to spend the whole premiums of their new business in each year?—I think they can afford to do it; I do not know that they ought to do it or need to do it, when the business gets to be large, but they would be safe in doing so. If a company spend much more than their new premiums each year, whatever the wealth or standing of the company may be, they must go down with such a company, every day they take new business; unless they take sufficient to pay their annual expenses, they are doing an injury to their old policy holders, as their premiums could be collected for a small per centage.

2587. Then, at all events, the expenditure ought not to be greater than their new premiums?—It ought not to be greater.

2588. Looking at the provisions of the Act of 1844, have you any suggestions as to any improvement in new legislative enactments as compared with that Bill?—I do not think the Act of 1844 has attained its object, and I have understood this Committee to be of the same opinion. I have never thought or heard of any suggestion that would bring about the very desirable object of knowing whether an assurance company was solvent or insolvent. I think the amount of policies taken from the office each year should be furnished to the Government. We will presume the office has existed for five years; each year's premiums should be furnished, and also their then income from premiums, because some of their business will have lapsed, the amount for which they are liable on policies, and their real assets; and I think you would get at an account which would be more satisfactory to the public than you could get from any of the forms already submitted, from the statement of those simple facts.

2589. You would rather rely on the statement of those facts, than upon a balance-sheet?—Yes, I would rather rely upon a statement of facts very much, as Mr. Higham has mentioned; but it is exceedingly difficult to effect the object; it would be so easy to evade the Government officer's requisitions even then; in fact, you cannot legislate for dishonest companies.

2590. Do you think that the public mind is in any state of uncertainty, on the subject of life assurance, which it would be advantageous to remove?—I do, decidedly; I think a great deal of alarm has been created in the public mind, not by this Committee, but by the use which has been made of the controversy which has taken place generally; and by the various charges and countercharges the confidence of the public has been shaken, not only in the new companies, but in all, so that there has been a less aggregate amount of assurance business transacted.

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2591. Had not that controversy been going on for a long time, and was it not becoming hotter and hotter before this Committee was thought of?—Decidedly so.

2592. Was not that controversy gradually leading the public mind to a state of uneasiness on the subject of life assurance?—It was.

2593. Was it not then extremely expedient that some means should be taken, by an inquiry of this kind, to bring that controversy to a test, so that the public might judge for themselves whether there was anything in the allegations or not?—I think so; and there is a great dread abroad, I believe, among the public who understand the subject, that nothing more than a Report will arise from this Committee. I think their opinion on the subject is this: they think the Act of 1844 did not effect its object, but that it would be wrong to do away with it now, and that the fair method of dealing with old and new offices would be to make the old offices return their accounts under the Act of 1844, and that every particular required from a new office should be required from them.

2594. You think, whatever terms or restrictions the Legislature may think it wise or necessary to impose, should extend to all companies alike?—Yes.

2595. And you think, if there is no legislative distinction between different companies, a great deal of the source of the controversy which has existed would cease?—I think so; I am not for a moment speaking of the motives of the officers of the old companies who have commenced this agitation, but they have have attempted a great injury, and justice requires that we should be enabled to see their accounts.

2596. And therefore it would result in this, that you think all companies ought to be put on the same footing?—I think all companies should be put on the same footing; and if the Government should decide on making a company at its mere starting pay up 10,000*l.* into the hands of a Government officer, then the sum of 50,000*l.*, or the sum of 100,000*l.*, should be required of some companies: it is possible for a company to be flourishing for 30 years, and at the end of 60 years to be in a state bordering on insolvency; the one set of companies require as much inquiry, if any inquiry be required, as the other.

2597. I thought you were against any sum of money being put into the hands of a Government officer?—I am; I should require a capital, and I have given the Committee a reason for even the old offices paying up a portion of their funds; although I doubt whether, if a capital were paid up, it would be a test of their security, unless you could find a sufficient check to prevent a company which has paid up 10,000*l.* incurring more than a certain amount of liability.

2598. You say the public are alarmed lest this Committee should make no Report?—Not that they shall make no Report, but lest they should not legislate, or recommend legislation.

2599. You think the public are anxious that we should legislate?—I think that the public are anxious that some such decision as I have alluded to should be come to; viz., that the act of 1844 should be repealed, or applied to every life assurance company in existence.

2600. But you think that there is an uneasy state of feeling in the public mind, which would be better satisfied by the Legislature applying itself to some attempt to improve the law as it now stands?—Yes, and for this reason: the controversy, or rather the speeches which were made in the House itself, when the question of this Committee was first mooted, have been circulated through the country by the old offices; by one in particular at the present moment, although they have been apprised that there were serious mistakes made. In fact, the country has been deluged with statements, to which the old offices attach the authority of the House of Commons. I do not know that they have ceased to circulate them at the present moment.

Lunæ, 20° die Junii, 1853.

MEMBERS PRESENT.

Mr. Wilson.	Mr. Henley.
Mr. Muntz.	Mr. Glyn.
Mr. Mullings.	Mr. Cowan.

JAMES WILSON, Esq., IN THE CHAIR.

E. J. Farren, Esq., called in; and Examined.

2601. *Chairman.*] IN what office are you Actuary?—I am associated with my father in conducting the Asylum Life Office.

2602. Is that an old office?—Yes.

2603. When was it established?—It was established in the year 1824.

2604. Upon what principle was it established?—On the pure proprietary principle.

2605. Does that still continue the case?—It entirely confines itself to proprietary business.

2606. What amount of capital was subscribed in the first instance?—£.60,000.

2607. Was that subscribed or paid up?—Paid up.

2608. Were there no more subscriptions?—There was, 240,000 *l.*

2609. There was a subscription capital of 240,000 *l.*, and a paid-up capital of 60,000 *l.*?—Yes.

2610. Has that amount been increased since that time?—No; it has been kept uniform.

2611. You have not accumulated any reserved funds beyond that?—As provision for policies we have.

2612. That is simply for your ordinary stock in hand for contingent risks?—Yes.

2613 It has been the practice of the office to divide all its profits, has it?—Yes, in one sense.

2614. In what way is the 60,000 *l.* employed?—It is employed in Government securities.

2615. It is invested in Government securities?—In Government securities.

2616. And in the name of trustees?—And in the name of trustees.

2617. So that the directors have no power over it?—Have no power over it.

2618. Do you therefore keep it as a reserved fund against any contemplated liabilities?—Yes.

2619. Do you approve of the principle of offices starting in the first instance upon a paid-up capital?—Decidedly.

2620. On what ground do you consider that necessary?—I consider that it is implied by the very nature of assurance calculations; I consider that the question of capital and no capital is precisely the question of dependent and independent risks.

2621. But ought not the premium of the office, if properly conducted, to be equivalent to the risk?—There is no state of calculation that can thoroughly predicate that; it is only, for instance, in lotteries where that can be absolutely stated. For example, in a lottery, the drawing out of the prize by one man prevents the drawing out of that prize by another, and thus relieves the office-keeper from having any capital of his own. So that if he be content to transact business for five per cent., all he has to do is to charge guineas instead of pounds. In lottery phrase the pounds were called the tallies, because they necessarily tallied with the amount of the claims, and the shillings were called the loading, because they gave the lottery-office keeper the same advantage that loaded dice do to the gamester; but in assurance offices the risks are independent; the death of one man does not relieve the office from the death of others.

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2622. Under the most careful computation based upon averages, there may be a state of circumstances arise so disadvantageous to the office, that they may require more than any ordinarily computed premium would cover?—Yes; I consider the average is no more an exact quantity than the time of individual deaths.

2623. You do not agree with those witnesses, then, who have stated that the only purpose for which a paid-up capital is required, is as a test of the *bona fides* of the parties promoting the company?—I do not.

2624. You also consider that one purpose?—One purpose, and I should consider another purpose the keeping the averages steady.

2625. Upon your principle that a capital is required as a security for unexpected losses, does it not follow that the capital ought to increase in proportion to the amount of business?—Not if it was of a sufficient extent in the first instance; if it began by being very small, it would be a matter of prudence that it should increase to a certain extent.

2626. A sum of 60,000*l.* would form a very small portion of the entire risks of some of the larger offices?—It would; it is not intended that a capital should be absolutely a guarantee irrespective of premium, but merely a protection if the averages themselves should fluctuate between very great extremes.

2627. Have you ever been obliged to infringe upon your capital to make up for losses?—No.

2628. According to the present state of your calculation and experience, is there any probability of such ever being the case?—There is always a possibility, and that is why we keep it intact. A result may be probable, and a person may win, but that does not relieve him from the obligation of providing his own stake. Many offices have been established without capital; the probabilities have been in their favour; they have run the risk and won; but if, instead of 100 or 200 offices, there had been 1,000 or 2,000 offices, I imagine there would have been several instances of need of capital.

2629. You speak rather of the possibility than of the probability?—Yes; because ours is a doctrine of possibilities, we call improbability a very low degree of probability, or possibility, and thus use the same term throughout; it is merely one convenient phrase, instead of using two long ones.

2630. Mr. *Henley.*] With reference to the necessity of paid-up capital of some kind, that would also be necessary at the commencement of the office where the number of insurances may have been small?—I have made some calculations upon that very point, which I should be glad to put in.

2631. All calculations of averages on risks must have assumed a certain number of parties?—Yes.

2632. Until that certain number of parties may have entered into assurances, the principles of the offices do not directly come into play?—Just so; I wish to hand in a paper upon this subject, which is a "Statement in illustration of the Risks incurred by Mutual Insurance and Benefit Societies, if without other resources at commencement than the amount of premiums receivable:—If 100 risks of 100*l.* each be accepted at a fair premium of 1*l.* per cent. for the year's risk (independently of expenses), the premium-money will be 100*l.*, and the liability 10,000*l.* The resulting probabilities of gain and loss will then be as follows:

"Probability.

"·366 of 0 deaths; that is, of gaining the whole premium-money.
"·370 „ 1 death, neither gaining nor losing.
"·185 „ 2, or losing 100*l.* beyond the premium-money.
"·079 „ 3 to 100, or losing 200*l.* to 9,900*l.* beyond the premium-money.

"Certainty 1·000"

That would be on 100 risks. If you go on to 200, you would find the probabilities of loss get less and less; so to 500; so on to 1,000. Still there is always a degree of risk remaining, that some small capital to regulate the averages in some degree might be necessary; and the more so because, however extensive a company might be at one time, yet by the cessation of its members, it might fall below the necessary number at another, and therefore you could not strictly expect to keep faith with the last man, unless you had some extraneous capital to guarantee that at all events he should have the sum assured by him when he died.

2633. Can

2633. Can you state to the Committee what is the ordinary number of persons assured, upon which the calculation of an average premium is founded?—That is a mooted point amongst actuaries.

2634. I know it is; and I want to know whether you are prepared to state any opinion, whether you would take 1,000, or 2,000, or 500?—My own calculations decidedly point to about 1,000; considering the average rate of mortality at about two per cent., I should not look, myself, for any great steadiness of averages under that number: the smaller the number, however, the more likelihood there is of an exact result in one sense, because, if you are to have one death or two, the amount may be the more easily exactly rectified.

2635. *Chairman.*] The more numerous the risks, the average will be worked out always with the greater certainty?—The steadier; but I should like to state that the steadiness would only be a matter of per-centage; it would not be the absolute amount. If you dealt with a million, you might expect perhaps the deviation to be an eighth per cent. of the million; but however much you work out the averages, the deviation itself may increase, though the proportion decreases.

2636. Supposing you had 10,000 policies representing 100,000 *l.*, would your average not be much more steady than if you had 5,000 policies representing the same amount?—Decidedly.

2637. In that case would not the per-centage be much less?—Yes.

2638. Therefore it is a case of per-centage?—Yes.

2639. Mr. *Henley.*] That is, assuming always that the same amount is divided amongst a larger number?—Yes.

2640. *Chairman.*] Is it not the case that particular offices, when they find their risks high, divide those risks by re-assuring in other offices?—They do so.

2641. Mr. *Muntz.*] You said that you had a paid-up capital of 60,000 *l.*?—Yes.

2642. Do you consider it necessary that every company should be established with that sum?—Not the sum of 60,000 *l.*

2643. What sum do you think it requisite that they should have?—I should consider that they ought to have such a sum as would be a multiple of the greatest single risk they intend to take. I should not think a company ought to put themselves in a position where the occurrence of a single adverse event would place them in difficulties. I do not think, for example, that a company should issue a policy of 5,000 *l.*, as a single risk, before they had got 5,000 *l.*, because a single adverse circumstance might then place them in difficulties. It is not until they should have paid up sufficient to provide for six, seven, eight, nine or ten adverse events, that I should like to advise that they should limit the capital. If they took very large risks upon single events, I should say, "Here are one or two adverse events which may put you in difficulties."

2644. Are not the principles upon which they re-assure large sums a guarantee against that?—An adverse risk upon any single event would be thereby diminished.

2645. What do you calculate would be the amount to make it a safe business, in respect to paid-up capital?—I could not answer that question independently of connecting circumstances.

2646. Because it appears to me that there ought to be some relation between the amount paid up and the amount of business done?—It would depend upon the current of after events.

2647. You are ready to admit that any moderate amount of money in hand is no real guarantee against a large risk?—It is no absolute guarantee, except to the extent that there would be great confidence in the actuary's mind, that if the averages did deviate he would be so far the more prepared to fulfil the guarantee.

2648. Admitting the principle that, in all cases of large risks, they re-assure in other companies, does not that bring it to the same principle?—It illustrates the same principle.

2649. Have you ever known, in the case of any office that had incurred losses, difficulties arise from want of funds already subscribed?—I should not consider the number of offices sufficiently great to afford experience to expect that; they all start with the probabilities in their favour, and it is only when you get to great numbers that all species of events are likely to be pourtrayed.

2650. Is it not then a question of possibilities, instead of probabilities?—We are obliged to look at possibilities.

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2651. When we see that there is no instance on record where any company has failed to realise the intentions of its founders, you cannot call it probabilities, but possibilities?—I might mention that there was one case in which there were 40,000,000 to 1 against a certain event occurring, which did occur.

2652. That cannot be called a probability, but a possibility?—In that sense it is not against probabilities, but against possibilities, that the public insure.

2653. Mr. *Glyn.*] Is the 60,000*l.* which you have mentioned reserved under a clause of your deed, or is it in the option of the directors?—Under a clause in the deed.

2654. *Chairman.*] Has it not happened that offices have been unable from their funds to pay sums which have become due?—I should imagine there have been cases of that kind.

2655. Has it not come to your knowledge that offices have been obliged to borrow money, either from their own directors or from other persons, upon such securities as they had to give, to find funds for the purpose of meeting unexpected claims?—That does not come within the range of my own experience.

2656. Is it not the fact that young offices, with a view to meet the difficulties to which you have been adverting in your recent answers, limit for a number of years at first the amount of risks which they will take for any one life?—Yes, and I think it wise so to do.

2657. It is the usual practice, is it not, for young offices to limit to moderate terms on a single life the risk they will undertake?—I believe that is a common practice.

2658. Is not that practice a source of security with the office in fulfilling its engagements?—Yes.

2659. And mitigating the necessity for a paid-up capital to a certain extent?—Yes.

2660. Old offices will accept a risk of 5,000*l.*, or 6,000*l.*, or 10,000*l.* upon a single life, whereas it is the practice of the young offices to confine themselves to 1,000*l.*?—Yes.

2661. And you think that a prudent resolution until they have funds accumulated, so that they may not be placed in embarrassment from unexpected losses?—Yes.

2662. It would be quite possible that an office might be placed in embarrassment by the falling of risks, at a period when they were not expected, without their ultimate solvency being affected?—I think so, if they had the interim means of sustaining themselves, and re-taking the position from which they started.

2663. Supposing their calculation upon the whole were correct, there might be one or two fall in at a very early period, which, though embarrassing at the moment, might on the whole business of the office, not be the subject of any extraordinary loss in the long run?—Yes, that might occur, so much so, that I should like to read the words of a well-known writer upon the subject. They are true upon principle, and as truth is truth, however startling the declaration, I hope I may be allowed to quote them from the work of Professor De Morgan, who says, "This much is certain, that an insurance office which could really pay only 10*s.* in the pound, might by introducing a better system, or by mere force of circumstances, not only recover its ground, but ultimately become exceedingly profitable; but I throw this part of the argument (though it shows a strong principle of vitality inherent in the constitution of such offices) out of the question, for surely no sane and honest person would trifle with important matters, so far as to assert, that the probability of temporary insolvency, to be redeemed by the chapter of accidents or prudence when it was wanted, should enter into deliberate calculations on which men should be invited to stake the subsistence of their children."—(Essay on Probabilities, p. 252.)

2664. Has not that reference to the management, rather than to the peculiar distribution of the risks?—I apprehend that he includes all those elements in such an opinion.

2665. Do you think that the proprietary principle of companies is better than the mutual?—I do think it is better than the mutual, and I think it is the only one that the public will eventually adopt. I have always thought so. I imagine that the opposite feeling has been a matter of misconception, which will eventually change, and we have been induced, if I may so say, to forego the temptation of urging business by granting bonuses, almost wholly in such expectation of change of public opinion.

2666. You

2666. You say that no calculation is accurately to be relied upon, however correct it may be; that it is a calculation, from the nature of the thing itself, subject to possible disappointment?—Yes.

2667. And therefore that the premiums may be or may not be sufficient to meet the losses; is it not the case that premiums are somewhat higher in consequence of that possibility than they would be if you could reduce it to an absolute certainty?—Yes, it is virtually taking capital by instalments.

2668. Then does it not appear a very fair principle to adopt, that whereas you are obliged to charge a larger premium than would be absolutely required were the calculations reduced to a certainty, instead of being merely reduced to a great probability, that while you charge these higher premiums to cover that possible risk should the loss not occur, that the balance over and above what is absolutely necessary, had it been really an absolute guarantee, might be fairly divided amongst the assured?—Certainly; and if they are content that that should be the only sort of guarantee, they have a right to the proceeds, because they run the risk of themselves not being paid; and therefore their claim to surplus, if such there be, is unanswerable in that respect.

2669. You are alluding to offices strictly mutual?—Yes.

2670. Supposing offices to be partly mutual and partly proprietary, where there is a paid-up capital which furnishes a certain degree of security to the assured, and where they also divide a portion of the profits, is it not an advantage to the assured, and a fair thing to do on the part of the offices, when they are avowedly obliged to charge a higher rate than necessary if the result were certain, should that amount of premium not be required to cover the ultimate loss, that the balance should be divided amongst the assured?—I consider that the public run a portion of the risk in that respect by mixing themselves up in contingencies of that kind. I think it is merely a *pro ratâ* matter if the guarantee is merely an assumed one, and they take it upon the condition of such guarantee, and are content to run their risk; but I have endeavoured to show here, in this paper, that even though you charge double the premium, there are still certain risks remaining, so that if the public say, "We are inclined to incur those risks, and we do it with our eyes open, and know that at any time we may receive notice that our policies cannot be paid because the premiums have not proved sufficient," it is open for the public so to think.

2671. You think that a loss lies at some point, and that to where the loss lies the profit should attain?—Yes.

2672. That if the proprietary body pay a capital, and are liable to a larger amount, that if the public are satisfied with their responsibility and to take their security, they ought to be satisfied to allow them to receive the profit which attaches to the transaction?—Decidedly; we have carried out that principle so fully, that we ask the public to pay us no more than is necessary to carry on the risk from time to time.

2673. And that if the public themselves are willing to release the proprietors from that responsibility, and to take the risk for themselves, that they ought not to be prevented doing so?—Yes.

2674. Are you satisfied with the working of the Act of 1844?—No; looking to the causes from which that Act originated, I do not think it has fulfilled its purposes. I do not think you can understand what that Act is to do, unless you look to the preceding circumstances which brought about that Act.

2675. What were those circumstances?—It was a common thing, I imagine, amongst those engaged in life assurances at that period, to see that the establishment of offices was going on at a rate at which it was quite impossible for competent actuaries to be got for the purpose; there were no existing means to train up persons to fill such offices; and it was generally felt that at last some person would get into the profession who would take upon himself to issue calculations which he could not understand, or which, being dishonest, he would not understand.

2676. Were offices being established more rapidly before the Act of 1844 than subsequently?—I do not know. I am not very learned in the statistics of office-making, but I should imagine that perhaps they were.

2677. Is it not the fact that since the Act of 1844 more offices have been established, in proportion to the time, than were established at any previous period?—In any case the Act of 1844 has not put such a check as was thought would be effected.

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2678. Would you suggest any alteration in that Act for the purpose of more effectually carrying out this purpose?—I should look at the principle that, precedent to that Act, it was in the power of anybody to establish an office either under the name of manager, actuary, or secretary, and to take upon himself the arrangement and calculation of financial matters, although he had given no guarantee that he had at all previously studied or understood such matters. I think the Act should have taken up that anomaly, and should not have perpetuated it. I have got here a prospectus of the fraudulent company well known as the Independent and West Middlesex, and I do not see that under the present Act there would be any prevention of a recurrence of the same thing. The notion of this prospectus appears to be, that inasmuch as the elder class of companies, and the actuaries who conducted them, had not kept up their knowledge to that of the day, because they continued to take exorbitant premiums, that those premiums might be reduced to a very great extent, and accordingly the present projectors have taken the Northampton scale and materially reduced it. They further considered that the usual companies were also doing a very profitable annuity business, and accordingly the projectors increased the annuities; but it appears that, when they came to consider survivorship cases, not understanding them at all, they allowed them to remain almost intact. It was thus shown that grossly incompetent persons might establish offices; for they charged more for sums assured to be payable at the death of a man of 20, for example, provided such a thing occurred during the life of another man, than they did for an assurance upon the death of the single life without any such proviso.

2679. What would you suggest as an improvement of the Act of 1844; what would you suggest to remedy the present fault?—I would suggest that the Government should in point of fact have an actuary in every office; and that they should either have an actuary of their own, or that they should put themselves in communication with the general body or institute of actuaries, so as to refer to a register, and thus ascertain the qualifications of the actuary of any particular company, upon whom the public were relying for the calculations so made.

2680. Are you in favour of Government inspection?—Yes, I should be; I consider that the most favourable way of carrying that out would be, that the Government should have a veto as to the appointment of any particular person as actuary. I do not know that it would be possible for the Government to carry that out themselves in a direct form, but they might indirectly, through a proficient body of men. I find, for instance, amongst the Treasury Minutes, there is a minute of this sort, which I think might very fairly apply elsewhere: "My Lords are pleased to direct, that before the appointment of any clerk shall be confirmed, an examination, in such manner and form as one of the secretaries of this Board shall think best calculated for the purpose, shall take place, and the result be reported to my Lords." I think, therefore, that before anybody was allowed to be appointed as actuary to a particular office, there should be at least a veto placed in the hands of the Government; that is to say, the Government might require fair evidence why such and such a gentleman was about to be appointed to hold the office of actuary, and thus judge whether he could show sufficient reasons why he should be so.

2681. That minute has reference to clerks employed immediately under the Government?—Yes.

2682. Would it not be a very proper precaution, for every office, before it appointed its actuary, to see that he was a man, by examination or otherwise, who should have their confidence?—Yes.

2683. But when the 60,000 *l.* of stock is actually paid up, or a larger sum, have you not there sufficient security that they have got a competent man to advise them upon such an essential thing as the fluctuations of a life office?—I should think so, if there were companies only of that class.

2684. Supposing it was necessary that every company commencing business should have a paid-up capital, would that not be a sufficient guarantee, that the directors who paid up the capital would take care to get proper persons?—I think they would to the best of their ability, but then I am not sure that the opportunity of exercising that ability would always be of the freest kind. It moreover has an indirect bearing upon the humbler classes, namely, friendly societies, widows' funds, and other provident institutions, where they are led by the opinion of persons who might not have passed through any ordeal at all.

2685. But

2685. But there you have tables certified by a public officer?—They are not obliged to have them so certified.

2686. Are they not obliged to have tables certified?—They may or may not have them certified by any gentleman calling himself an actuary of five years' standing.

2687. But are these tables not certified by a public officer?—I believe they are not.

2688. Are you aware that the tables of friendly societies are usually certified?—They are not certified by the registrar as to the correctness of those tables; only that such and such tables have been certified by a person calling himself an actuary; that is all he certifies; he exercises no discretion himself as to the value of those tables.

2689. Mr. *Henley*.] Evidence has been given with regard to one of these certificated benefit societies by an actuary of great public eminence, as to the superiority of certificated societies; that is so, is it not?—It is so.

2690. *Chairman*.] What tables of mortality does your office use?—For select life we have a regulated Carlisle table; the Carlisle table is irregular at certain ages; in fact, in that respect it is a badly constructed table; but for mixed lives I consider there are none equal to Mr. Farr's tables.

2691. You think his are the best?—Decidedly; I consider he is the only man who has paid any attention to the science of the subject for many years.

2692. Mr. *Mullings*.] Are there not consolidated tables?—All tables are more or less so; for when we come to examine the matter well and thoroughly, we do not find that there are many distinctions worth attending to.

2693. Do you not know, with regard to the London mortality, that the tables of London and Carlisle are something like 14 years' purchase upon the same life at a given age?—Simpson's London table is a subject that has become matter of history more than actual employment; it was constructed, I think, in 1742, upon mere baptisms and burials, and was a correction upon Smart's tables; but Smart himself was a man of very average information in such matters.

2694. Are there not calculations upon three tables, London, Northampton, and Carlisle?—No; I should think it an unwise proceeding to mix up such elements together.

2695. Have you seen Mr. Willich's book?—I have.

2696. Does he not give you an average calculation from those tables?—Not mixedly; he gives it you more as a matter of history than as a matter of actual adaptation.

2697. His own table in the result amounts to one-third of the tables mixed together?—I am not aware of any table of his own; Mr. Willich's book I have here, and trust it will displace former popular collections of tables.

2698. They are admitted to be tables of great authority, are they not?—Principally, because they illustrate the Carlisle table. Mr. Willich is a fellow of the Institute of Actuaries, and is favourably known to the general profession.

2699. By whom was this 60,000*l.* paid up that you spoke of in your office?—The shareholders.

2700. All by shareholders?—Yes.

2701. The shareholders are entirely independent of the assured, of course?—Yes.

2702. What were the conditions or trusts upon which the 60,000*l.* should be at any time redeemed?—Simply after a proper valuation of the liabilities and the consent of the trustees to sell, they should be relieved from all responsibility.

2703. Supposing a party died who had a share of 1,000*l.* out of the 60,000*l.*, what was the means that the party had of getting his money; supposing, for instance, I had been a shareholder of 1,000*l.*, and I had died, and my executors wanted the money, what would be the conditions on which the money was to be paid out?—That he must get a shareholder in your place, and such a shareholder as the company would approve; there is no unlimited sale of the shares; they are not transferable shares.

2704. What were the provisions for the payment of interest on the 60,000*l.*?—That it should be invested in Government stock, and that they should receive the interest.

2705. Simply the dividends?—With such profits as might accrue.

2706. Some portion of the profits were set apart for the assured?—No, it was not so; we took a class of scale at a very low rate; we have an ascending scale upon which we do a very large amount of business; by it we exact no more

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money from the assured than is necessary to carry on the contracts from term to term.

2707. Have you adopted any portion of the Mutual Assurance plan in this company?—None at all.

2708. With regard to mutual assurances, is there any person at all liable to any risk but the assured themselves?—In a purely mutual company I imagine there is; the representative body are by construction considered liable.

2709. If you have a purely mutual company, is not the risk entirely amongst those?—Yes, I imagine so, in fact.

2710. When you propose that any alteration should be made with regard to them, what has the public to do with it if they incur the risk?—Except so far that the Legislature would not, I apprehend, recognise bodies of persons merely meeting together to play at risks. If it could be shown that the public, while thinking they had got an unconditional guarantee, yet that such portion of the public was being mixed up into risks unawares, the Legislature would say, "We will not allow you to be intermixed with the risks."

2711. Would not that be interfering with the common course of trade; would not a company say, "What has the remainder of the public to do with it, if in the result we are the only parties liable?"—It is merely a matter as to whether it is or is not creating a speculative tendency in the mind of the public.

2712. Has every partner in an insurance office a voice in the risk undertaken?—No, I should say not.

2713. Mr. *Muntz.*] Have not all these parties who are insured the power of electing the directors?—They should, at least, look to that.

2714. Is not that a sufficient correcting principle that these concerns are profitably managed?—No doubt it is a matter of mutual confidence where there is is an anticipation of risk; they should look upon it so.

2715. Mr. *Mullings.*] Would you recommend that, for mutual assurance offices, as well as for proprietary offices, there should be a paid-up guarantee found in the first instance?—Decidedly, I should; I should consider that they did not thoroughly look to the nature of the calculation unless there was an exaction of that kind; if they openly stated that such a portion of the risk was left contingent; that it was contingent upon the success of the society's business, and that as, on the one hand, the sums assured might be increased; so, on the other hand, they might be diminished, and a person went and insured his life upon such conditions with his eyes open; by that fact there could be no breach of confidence, and no disappointment could occur.

2716. *Chairman.*] Is there not this great difference between a mutual assurance office and a partnership, such as has been alluded to, in an ordinary business, that in a case of common interest all the parties who enter into it know what they are about in the first instance; that they are parties to the terms and conditions on which the speculation should be undertaken, and that all share equally in the loss, should there be any loss, and in the gain, should there be any gain; whereas, with regard to a mutual assurance office, the future persons insured after the first commencement have no voice in those who are assured afterwards in adopting new risks, and also that the first claims have been paid in full, and the whole of the loss may fall upon those whose claims come afterwards?—Yes; and as an incidental illustration of that I may mention, that there are cases where the new business having gradually become less and less, the bonuses have become less and less, which shows that there is a process by which new comers are essential to the old ones.

2717. Do not these considerations take the case of a mutual life office entirely out of the ordinary category of trades, where persons make their speculations with their eyes open, and are willing to run risks?—I should consider so; I should consider, in the case of a mutual assurance company, that unless you could affect the person assuring with a knowledge of what he was really doing, that there would always remain that distinction.

2718. Is it not the case, that nine-tenths almost of the business acquired by insurance offices through the medium of agents in various parts of the country, is acquired really with very little knowledge of the character of the business upon which the office is established, but rather upon the confidence that it is an insurance office of correct principles, dependent upon the character of the local agent, more than upon any special knowledge of the office itself?—Decidedly.

2719. Would it be possible so far to adapt the whole of the offices of this country,

country, as to enable the public to discriminate between one kind of office and another, so that they could exercise a discretion in remote parts of the country, where there is a great deal of canvassing for business, as to the peculiar principles upon which these bodies are established?—I should consider that hopeless, because it takes an actuary all his life to understand these matters.

2720. If the Legislature is to deal with these matters at all, are you of opinion, or are you not, that they must regard the whole of the assurance offices in the general light of assurance offices, and that if they think protection to the public is required in one case, that it is required practically in all?—Decidedly.

2721. Mr. *Muntz.*] Now, as regards a common company, is it not only understood, but practised also, that the tables once adopted by any company are carried throughout the whole business; are the tables ever altered, or do they adopt certain tables, and adopt them throughout?—In after years, do you mean?

2722. Yes?—There have been cases of that kind; but I consider it has led to a number of evils where the executive have not kept up their information from time to time; such was the case as to the Northampton table; many companies were tied to such tables, and could not allowedly adjust them, and therefore instead of adapting the premium, they adapted the sum insured; instead of reducing the premium to proper rates, they kept taking the same premium and increasing the sum assured from time to time, which I consider a clumsy mode.

2723. *Chairman.*] Is it not the case that assurance offices, as a rule, modify their premiums from time to time, as experience shows they can safely reduce them?—I should consider if they did not, it would be evidence of gross neglect of progress in one branch of knowledge.

2724. Would they not lose their business if they continued to charge according to old-fashioned principles, rather than according to more advantageous new ones that are now adopted?—They have felt that, but they have resorted to the contrivance of saying, "We have charged you so much, but by and bye we shall increase the sum assured;" and some even say, "It scarcely matters what you are charged, provided you get it back again."

2725. Mr. *Mullings.*] The bonuses are then to be compensation for overcharged premiums?—Yes.

2726. *Chairman.*] I observe that it is the practice with many offices to have different scales of premium; some are scales for non-participating; in other cases, participation with profits; is it not very much a matter of indifference to the assured, whether he pays a lower rate of premium, and gets nothing, or pays a higher rate of premium and gets it back again in the shape of a bonus?—Except with this difference: that it is quite impossible for the public to tell the rate of premium upon which the company is actually relying. In a proprietary company they openly say, "We will take the risk at two per cent.;" the public then know if they can well lay out their money; but if you grant that an office, instead of taking two per cent., may take three per cent., and reduce it from time to time, the public have no check; they may be joining companies that have no remaining income at all; there are instances that surprise persons connected with other offices. How a person can have the ordinary premium reduced 40 or 50 per cent., because he has been entered a few years, is difficult to calculate.

2727. Have there not been very large reductions upon premiums charged upon the old principle in the Equitable Society?—No, they have not adopted the principle of reducing the premium at all; they have increased the sum assured.

2728. Have they made it optional?—I do not think they have.

2729. Mr. *Cowan.*] Is it not the habit for the offices to submit every individual case on its own merits?—Yes.

2730. And in many cases to take an additional premium?—Yes.

2731. Equivalent to the additional risk?—Yes.

2732. Mr. *Mullings.*] Looking to the insurance offices with profits or without profits, which class has preponderated with respect to the assured?—I should imagine that at present, and since the Act of 1844, or for the last 12 years, there has been a considerable tendency in the public to take what may be termed participation policies; but I apprehend that when that system comes to be tried in a variety of quarters, by being entrusted to haphazard hands, in such wise that anybody with or without money may establish a company of that sort; that anybody may be the actuary of the company; that anybody may give advice as to the reduction of premiums, and the increase of the sum assured, and the declaration of bonuses, whether they are to be paid in cash or by reductions: when the

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public come to see the working out of the system, when the nature of their own guarantee becomes more and more confused in their own minds, they will resort at once to the simpler principle and say, "I prefer to have a certain sum assured, payable to my wife and family; and I should like to pay a certain sum for it, and I do not want to have anything more to do with the matter." Now, in connexion with the company that I represent, we have from the beginning adhered to the principle of low rates; it has been, of course, at some sacrifice of bonus business in the mean time, but we hold that if we continue to limit our policies to that kind, we shall be eventually justified by the result.

2733. *Chairman.*] Is not making a bonus a great temptation to companies to over-estimate their profits, and to incur larger obligations than they would be justified in doing?—Decidedly; and their new business depends on the declaration of their bonuses, because unless they can keep pace with other companies in bonuses, they cannot do business. In participating profits, the public will naturally say, "We had better go to those offices that will give us the most profit"; and therefore it must be an obvious strain upon the actuary's firmness, to be aware that in making up his accounts for the next division, if he does not declare a very large bonus, the business of the office will fall off. A man who does not know thoroughly all about the subject must be in a very awkward position.

2734. Do you apprehend it would be better, if as a rule the insurance offices, instead of giving bonuses or participation of profits, if they found they could undertake the risks proposed at a lower rate of premium, reduced the premiums to such a rate as they would be able to do business at without participation?—Yes; the reverse deprives the public of the means of judging of what is done in the meantime; when the premium ceases to be a measure of the risk, the public are perfectly abroad; so much so that the most ridiculous cases sometimes occur when persons have paid more than they conceive necessary; they imagine such use has been made of their excess that they can have the whole of the premiums back; they cannot even understand the propositions that are put to them.

2735. Does the principle of participation in profits introduce much uncertainty as to the actual interest which the different parties assured have in the office, whether they should have a great number of years, or whether the risk shall terminate at an early period?—Decidedly; because all such societies are virtually tontine societies. When a man says, "If I live on, I shall get a larger sum added to my policy," he is perverting the principle of insurance, which is to make those who live long pay for those who die quickly; it is to endow the widow and young children, and not the gray-headed man.

2736. Mr. *Mullings.*] Is it not the regular practice, before a bonus is declared, to make a calculation of the value of the assets?—Decidedly.

2737. So that after all it comes to be a mere matter of arithmetic, because, if they pay a larger amount than is necessary, and the premium affects the gross profits, if the calculations are *bonâ fide* calculations, which they ought to be, the return is nothing more or less than a *bonâ fide* return?—Decidedly; but taking it for granted that the surplus calculations will be correct, appears to me to suppose the whole case.

2738. But that holds good with respect to the first establishment of the company; the bonus does not at all alter the case; if the company is bad the result will be bad?—Yes.

2739. What would be the difference, supposing you charged, we will say three per cent. for a *bonâ fide* insurance which was to return no bonus, or four per cent. for one which did return any, the result would be precisely the same in that case as in the other?—The public might say, "If I pay you 4*l.* in place of 3*l.* annually, for 100*l.*, why do you not promise me 33*l.* extra at once?"

2740. Because it is a mere matter of guarantee between the parties; the assured has nothing to do with it; if they say, "Such and such an actuary shall be employed," that is another case; in one case it is the same as another?—The public cannot as readily understand it; they imagine that a very large fund is a very safe thing, without looking to the relative liabilities that may attach to it. Suppose I have a million of money on one side, and liabilities of 10,000,000*l.* on the other, and not only that, but am under the pressure of circumstances from time to time to add bonuses, I do not consider the calculation in that case either an easy or a safe one.

2741. I understand the bonus to be this, that the rate of assurance to be charged

charged in any particular company has been greater than is necessary to pay risk; the bonus ought to be solely that surplus profit; is not that the fact?—It should be so.

2742. In that case, if both calculations are correct, it has nothing to do with the public; how are the public injured; it is a mere question if the calculation be correct?—The guarantee cannot be made complete unless you have extraneous funds to fall back upon.

2743. You must have subscribed capital, then, to make up the bonus?—Yes.

2744. What difference will it make to the insurer whether the rate of premium simply secures the insurance, or provides a surplus for the bonus, provided in both cases the calculations are correctly made?—The difference I conceive to be this, that what you term surplus is not defined, and therefore no correct calculation can be made.

2745. You admitted just now that in all cases, before the bonus is declared, there is the investigation into the value of every life?—Decidedly it should be so.

2746. Does not that very calculation prove that the bonus ought to be granted or returned to the parties in consequence of the surplus profit?—Yes.

2747. Supposing that calculation to be correct, what disadvantage is it to the parties insured to have the bonus declared?—There would be no disadvantage if you could make it out that the calculation was necessarily correct.

2748. It all hangs upon that; the whole system hangs upon that being correct?—But the public may be relieved by guarantee even from the consideration of its not being correct, if there be proprietors to come in and say, "We will take this correctness upon ourselves."

2749. Mr. *Mullings.*] Might not the same difficulty arise in the first instance, assuming the bonus to be out of the question?—Yes.

2750. Might not there be the same difficulty with regard to ascertaining whether you could pay the exact sum assured, for instance, 500*l.*?—Of course you would have a system of calculation upon which you would be content to risk your capital, and you would say, "We don't expect that these premiums will exactly amount to the sums insured; and our calculation tells us there is a probability that they will be greater, and a probability that they will be less than such. We are content to risk our capital upon these suppositions; namely, if they should turn out to be less we must pay, and if more we shall secure a profit."

2751. *Chairman.*] I do not understand you to say, that a bonus might not be, under particular circumstances, very properly divided, but that you prefer a system where calculations were made without a reference to bonuses, because the system of the participation of profits tended and had within it a tendency or temptation to management, which ultimately was not so safe as the other?—I consider that to be the case.

2752. That was about as far as you went; that the system of bonuses was exposed to greater risk and to less certainty, and to more design with respect to exaggerated calculations and estimates of profit, than in a case where it was simply a risk, without any reference to bonuses or profits?—That is precisely my view.

2753. Mr. *Muntz.*] According to that, you must suppose that the actuary would be lending himself to make an improper calculation?—He might do it ignorantly. Under the present want of distinction of who are to be called actuaries, and who not, the public have no guarantee that it will be well done.

2754. In your judgment the proper mode of interference will be this, to take it away from the actuaries?—Yes, so long as the term is undefined.

2755. Mr. *Henley.*] There are what are called high and low actuaries, are there not?—Yes.

2756. And they range from 15 to 20 per cent. in their calculation?—Yes.

2757. And there is no uniform calculation which is correct?—Except they have agreed to be consistent in each case with their own assumptions.

2758. There is no decided decision, if I may so call it, whether what are called the high or low actuaries are best founded?—Except the admission of the principle that the actuary's is a doctrine of fluctuation, and must be studied in that sense.

2759. *Chairman.*] A great deal must depend, if you are to judge by experience, upon the lives selected, or what happens to be matter of experience, upon that subject?—Yes, so much so that several offices have been established, charging the same premiums and not yielding the same results. They really do not give the

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public the benefit of the first year's selection; they take the average premium from the very beginning.

2760. The selection itself ought to be a source of profit?—Yes, except that the class of lives that are offered, are not such as to offer a very apt selection.

2761. And the deterioration of the value of life afterwards is one of the things provided for, in the first selection?—Yes; formerly the assurance of lives not considered select was scouted. It was considered unjustifiable to take lives not in perfect health; but now, even the oldest companies have virtually given that distinction up, because they declare bonuses without reference to health.

2762. When the periodical calculations are made, with a view to declare bonuses, is there no estimate made of the deterioration of lives, the subjects of the policies; are they all calculated the same as they were at first?—They are virtually so, because of the options, namely, "If you like, take cash; if you are in bad health, take the reversion."

2763. Is not that of itself another matter of uncertainty in the plan, dividing bonuses and profits?—I conceive so. I conceive the man in good health at a division always considers that he is not a fair partner for the man in ill health.

2764. When you have risks running over a number of years, the mere option you give to the assured under the certainty that each person will adopt the option which exactly suits his own case, must be constantly making the average worse?—Yes, no doubt; so that they disregard in the end what they stipulated for in the beginning.

2765. And destroying the original average?—Yes.

2766. Have you formed any opinion as to the possibility of furnishing any account or general data, which upon the face of it would show the condition of an office from time to time?—That would be a very difficult matter to form a correct opinion upon, because the mere arrangement of calculation-data in the forms in which we get them, namely, in the matter of statistical returns, is not an easy thing, when we wish to get at the real rate of mortality that has prevailed amongst the friendly societies, for instance, or amongst any particular class.

2767. Are there any returns which would enable actuaries, or others connected with these matters, to form a tolerably accurate opinion as to whether the Company was solvent or insolvent, prosperous or otherwise?—That would be a great deal dependent upon the conditions upon which the office set out their pretensions to public favour. The same state of facts that would show one company solvent, would show another insolvent. I believe what actuaries themselves would look to would be, who it was that was making the returns.

2768. Is there no possibility of scheduling an account in such a way, as that upon the face of it there should be sufficient information to show the nature of the risk, and the character of the assets?—If you could get persons to state what they consider themselves pledged to do for the future as well as for the present; but if persons made returns, saying, "Our liabilities are a couple of millions, and your assets are so much," and they did not state that those two millions were liable to be increased, and that they were under pledges to increase them, I think you might draw very erroneous inferences.

2769. You mean to increase the sum insured, instead of giving bonuses?—Yes.

2770. I have assumed profits derived from past business?—Yes; and persons would join them upon those expectations.

2771. Mr. *Muntz*.] Supposing you published such an account as the calculation made previous to the declaration of the bonus, what would be the case then?—As at present, because the public have already such to a very great extent.

2772. That ought to be done so as to answer the purpose of the Company, and if it does that, it ought to answer the purpose of the public?—Yes; except that they rely upon those who conduct the business to draw the proper inferences for them, because the public themselves cannot draw the proper inferences.

2773. *Chairman*.] Are the future claims upon the office provided for exclusively out of the profits which may arise; are they not contingent upon profits which may be earned?—Yes.

2774. If profits are not earned, would they accrue?—I think that a very favourable view has often to be taken by those concerned in such offices in getting business for the future, as to something of that sort having accrued; they would feel themselves forced, as a matter of business, to recompense people for having paid increased premiums; they might even be obliged to force the calculation.

2775. Is there an absolute engagement in any case entered into, to increase the

sum

sum assured at any particular period?—Yes; I believe there is one office that does that.

2776. An absolute engagement?—Yes.

2777. Independent of any contingency?—Yes.

2778. Mr. *Mullings.*] Is that a proprietary company?—Yes.

2779. Mr. *Henley.*] You said just now that it would be necessary to force a calculation; be good enough to explain what you mean by that expression?—I meant that they would take a more favourable view of the calculation than perhaps others would; I did not mean that in any invidious way.

2780. Taking a view of the calculation is one thing, and forcing a calculation is another; I want to know whether that calculation is to be made?—I should wish my answer to be taken in connection with what I have already said, namely, that where the declaration of a bonus may have an effect upon the future public business of the company, if there were two alternatives of calculation, I should consider that a man would virtually feel himself forced into that particular style of calculation, that would enable him to declare a state of things that would not affect the new business of the company.

2781. That might be said to be somewhat in the nature of "booking" the calculation?—I should not characterise it so strongly as that. There are options frequently, and perhaps an unbiassed man might take the one, but if he had a bias in a particular direction he might take the other.

2782. *Chairman.*] A strong inducement to take a sanguine view of the affairs of the company?—Yes.

2783. Mr. *Henley.*] Taking a sanguine view is one thing, and a calculation is another; am I to understand that all offices present their affairs in such a state that honest men may take the same data so differently as to come to different results; is that what you mean?—I conceive that it might be done, and has been done. I believe it is not unusual for a company to value by two different tables of mortality, and in many cases to take that which would produce the more favourable result.

2784. Do you mean that they might calculate their liabilities upon one table, and their assets upon another?—No; I apprehend they would not do that.

2785. You think that that would be too gross, but still that would be a strong illustration of what you mean?—I should consider that that was almost morally wrong; I mean to say that a man may be virtually forced upon an alternative by the external pressure of getting new business, and that though that would not force him to do anything wrong, yet might induce him to take a sanguine view.

2786. You think that so gross a case would be sure to be found out?—Yes.

2787. But that these delicate operations might not?—No.

2788. An untrue result presented to the public, not to say a false one, would make no difference, though the detection might be less easy?—I should not wish to have it inferred that it would be in any way a false result; it might not be to that extent.

2789. *Chairman.*] What you mean is, if I understand you, that there is a certain margin upon which opinion may very fairly and honestly be exercised with regard to the affairs of an insurance office; and that a man having a sanguine view of his affairs, and a strong temptation to place them in as favourable a light as possible, may, without any dishonesty, place them more favourably than a person would who had no bias, or who had no motive whatever to twist his mind in one way or in the other?—Yes.

2790. Supposing a bank, making its annual statement to its proprietors, making up its account, if it is to go before the public, it is quite possible that the directors of the bank, in estimating the value of their debts and assets generally, would take a favourable and sanguine view; some debts they suspect to be bad, other debts are proved to be bad. A very sanguine man would naturally, without any dishonesty, form an over-sanguine view, and show a statement of the affairs of the company which might not ultimately be realised; is not that something analogous to what you mean with regard to assurance offices?—Something analogous; I can perhaps put it in a stronger form. In the valuation of stock on the balance-sheet, some companies say, "We will take the price of the day on which we make the valuation;" others say, "We will take the price that we give for the stock;" others will say, "We will take an average price." The calculation might originally have been made out in a certain form; they might find that continuing to work out the calculation in that way did not give a very high degree of bonus, and might injure

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their new business. They might say, "We have the other alternative; is the price of the day favourable? we will take the price of the day;" they might take the price of the day; that might be perfectly fair, because it would be adopted by perfectly respectable companies; they might thus be forced, in respect of new public business, upon an alternative that otherwise they would not have thought of adopting.

2791. Mr. *Henley*.] Do you think it would be a fair and honest representation of the affairs of the company, to take the instances you have stated of the value of stock they hold, if they are to take it at one period at a certain price, and at another period at another price, just because that price happens to suit them?—Yes.

2792. Do you consider that a fair and honest way of transacting business?—I do not conceive that if a person honestly thought he had chosen a bad alternative in the beginning, that he would commonly continue to be bound by it.

2793. If a man had taken a wrongly based calculation, or even changed that calculation, one might be a perfectly honest and straightforward transaction, and the other, if it were done to suit circumstances, must assume a different character?—Such an option could be properly taken but once, because having stated what their ultimatum was, they would not have much opportunity of going back.

2794. That might depend upon the fluctuation of stocks?—Yes.

2795. Is there much profit made by insurance offices, by policies being purchased or dropped?—I should imagine that there was a fair amount of profit made that way.

2796. It is very unusual, is it not, for policies to be dropped without being purchased?—It is very unusual indeed; there is nearly always application made.

2797. Are they ever refused?—Do you mean a return of premiums?

2798. Yes?—Frequently, I imagine.

2799. Frequently refused?—I imagine so.

2800. Is it not the case that every office is ready to buy at its own price?—I believe there is a difference of opinion in that respect as to what the rights of the public are; it sometimes happens that a man, in not exactly good health, will insure his life, will get accepted at a certain rate, and on getting better may find out in the meantime that some other office will take him for less; upon which he goes to the first office and says, "I wish to sell."

2801. In point of fact, policies are constantly dropping; persons insuring their lives for two, three, four, or five years, and then discontinuing the insurance?—Yes.

2802. It is nobody's care to keep the policy up; the man who has borrowed money upon the policy has paid it off, and the policy comes into their hands?—Yes.

2803. And that frequently happens?—Yes; there is generally an application made to sell the policy.

2804. Mr. *Muntz*.] Who puts the valuation on the stock, the actuary or the directors?—I should imagine that practice varies in different companies.

2805. Who ought to do it, according to your view of the matter?—I should think that it should rather be a committee matter.

2806. *Chairman*.] A committee of the directors?—Yes; with such observations as the actuary might think fit to make.

2807. Mr. *Mullings*.] Supposing the stock were purchased at a much higher price than the price of the day, what is the practice then to be adopted?—I believe some would still take the price of the day.

2808. Not the cost price?—No.

2809. You think it would not be a fair thing to take the cost price?—Not always.

2810. *Chairman*.] Supposing an insurance office had been valuing its assets in September 1847, during the panic, when Consols were down at 78, no insurance office would value their assets at 78; it would be a matter of discretion to be exercised in that case as in all others?—Yes.

2811. Mr. *Muntz*.] You said that some actuaries calculated in one way and some in another; and that a man might be induced in consequence of the state of affairs to declare a bonus, "to force his account," as you termed it; now what should you think of a board of directors who would allow a bonus to be declared simply upon the calculation of an actuary, without inquiring of him strictly as to the mode in which he made his valuation?—I should think they were not fulfilling the functions with which they were invested.

2812. Then it does not altogether depend upon the actuary yet?—Decidedly not, for if he be only advertised as an element, he should be only responsible as an element.

2813. Mr. *Mullings.*] Before the declaration of a bonus or dividend, it is the duty of the actuary to explain the circumstances of the company to the directors, is it not?—I imagine so.

2814. *Chairman.*] What is the rate at which policies are purchased; is there any common principle laid down whereby the value of policies is ascertained in offices?—I believe that some offices return a set proportion of the premiums paid upon them; others compare the ages at the present time, and at the age at which they were granted, and buy off that portion of the annuity.

2815. They buy off the remainder of the risk?—Yes.

2816. It is not reduced to any common or accurate proportion?—I believe, as far as the mere calculation of the matter goes, there would not be much difference between actuaries; but as to the actual price paid to the public, there might be some difference of opinion as to the rights of parties after a certain time.

2817. You wish to hand a document in?—I do; it is the one already referred to.

[*The Witness handed in the following document*:]

STATEMENT in Illustration of the Risk incurred by Mutual Insurance and Benefit Societies, if without other Resources at Commencement than the Amount of Premiums receivable.*

EXAMPLE I.

IF 100 risks, of 100*l.* each, be accepted at a fair premium of 1*l.* per cent. for the year's risk (independently of expenses), the premium-money will be 100*l.* and the liability 10,000*l.* The resulting probabilities of gain and loss will then be as follows:—

Probability	-	·366 of 0 deaths,	*i.e.*, of	gaining the whole 100*l* premium-money.
„	-	·370 of 1 „	„	neither gaining nor losing.
„	-	·185 of 2 „	„	losing 100*l.* beyond the premium-money.
„	-	·079 of 3 to 100 „		losing 200*l.* to 9,900*l.*
Certainty =		1·000		

It thus appears that, notwithstanding the annual premium for a whole of life insurance is generally about 2*l.*, when that for one year's insurance is 1*l.*; yet that in a society of 100 such lives there would still be the probability represented by 79 chances out of 1,000, or about 8 out of 100, that the whole of life premiums would not be sufficient to pay the year's claims without the aid of extraneous capital.

N.B.—If the risks averaged 1,000*l.* in place of 100*l.*, the probabilities would remain the same; but the amount of gain or loss would be tenfold.

EXAMPLE II.

If 200 similar risks to those of Example I. were accepted, the premium-money would be 200*l.* and the liability 20,000*l.* The resulting probabilities of gain and loss would then be as follows:—

Probability	-	·134 of 0 deaths,	*i.e.*, of	gaining the whole 200*l.* premium-money.
„	-	·271 of 1 „	„	gaining 100*l.* of the premium-money.
„	-	·272 of 2 „	„	neither gaining nor losing.
„	-	·181 of 3 „	„	losing 100*l.* beyond the premium-money.
„	-	·090 of 4 „	„	losing 200*l.* „ „
„	-	·052 of 5 to 200 „		losing 300*l.* to 19,800*l.* „
Certainty =		1·000		

It

* The following is the system of calculation adopted:—Let m be the probability of individual mortality or risk, and n the number at risk. Then $[(1-m)+m]^n$ expanded will give the series of probabilities of 0, 1, 2, 3, 4, &c. deaths or claims. Consequently $(1-m)^n$ will be the probability of no deaths; $(1-m)^{n-1}\ m.\ n.$ the probability of 1 death; $(1-m)^{n-2}.\ m^2.\frac{n.(n-1)}{1\cdot 2}$ that of 2 deaths, &c. Hence, deriving each succeeding term from its predecessor, $\frac{m}{1-m}$ will be a constant factor producing the *argumenta* of the expansion, and $\frac{n-(x-1)}{x}$ a variable factor producing the co-efficients: x representing the exponent of m, or the number of deaths. Thus, if p represent the probability of $(x-1)$ deaths, $p.\ \frac{m}{1-m}.\ \frac{n-(x-1)}{x}$ will equal that of x deaths. When $x=0$, $p=(1-m)^n$, hence, when n is large, to keep the figures significant, the logarithm of $(1-m)$, as a starting point, must be taken to, at least, as many places beyond the usual number as there are places in n. Without the principle of succession, it will be necessary, when n is great, to apply Stirling's Theorem.

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It thus appear that, notwithstanding the annual premium for a whole of life insurance is generally about 2*l.* when that for one year's insurance is 1*l.*, there would still be the probability represented by 52 chances of 1,000, or about 5 out of 100, that the whole of life premiums would not be sufficient to pay the year's claims without the aid of extraneous capital.

Example III.

If 500 similar risks to those of Example I. were accepted, the premium-money would be 500*l.* and the liability 50,000*l.* The resulting probabilities of gain and loss would then be as follows:—

Probability	- ·0066 of 0 deaths,	*i.e.* of	gaining the whole 500*l.* premium-money.
,,	- ·0332 of 1 ,,	,,	gaining 400*l.* of the premium-money.
,,	- ·0836 of 2 ,,	,,	gaining 300*l.* ,, ,,
,,	- ·1402 of 3 ,,	,,	gaining 200*l.* ,, ,,
,,	- ·1760 of 4 ,,	,,	gaining 100*l.* ,, ,,
,,	- ·1764 of 5 ,,	,,	neither gaining nor losing.
,,	- ·1470 of 6 ,,	,,	losing 100*l.* beyond the premium-money.
,,	- ·1048 of 7 ,,	,,	losing 200*l.* ,, ,,
,,	- ·0652 of 8 ,,	,,	losing 300*l.* ,, ,,
,,	- ·0360 of 9 ,,	,,	losing 400*l.* ,, ,,
,,	- ·0178 of10 ,,	,,	losing 500*l.* ,, ,,
,,	- ·0132 of11 to 500 ,,		losing 600*l.* to 49,500*l.* ,,
Certainty	= 1·0000		

It thus appears that, notwithstanding the annual premium for a whole of life insurance is generally about 2*l.* when that for one year's insurance is 1*l.*, there would still be the probability represented by 132 chances out of 10,000, or about 1 out of 100, that the whole of life premiums would not be sufficient to pay the year's claims without the aid of extraneous capital.

Example IV.

If 1,000 similar risks to those of Example I. were accepted, the premium-money would be 1,000*l.*, and the liability 100,000*l.* The resulting probabilities of gain and loss would then be as follows:—

Probability	- ·00004 of 0 deaths,	*i.e.* of	gaining the whole 1,000*l.* premium-money.
,,	- ·00044 of 1 ,,	,,	900*l.* of the premium-money.
,,	- ·00220 of 2 ,,	,,	800*l.* ,, ,,
,,	- ·00739 of 3 ,,	,,	700*l.* ,, ,,
,,	- ·01861 of 4 ,,	,,	600*l.* ,, ,,
,,	- ·03745 of 5 ,,	,,	500*l.* ,, ,,
,,	- ·06274 of 6 ,,	,,	400*l.* ,, ,,
,,	- ·08998 of 7 ,,	,,	300*l.* ,, ,,
,,	- ·11282 of 8 ,,	,,	200*l.* ,, ,,
,,	- ·12561 of 9 ,,	,,	100*l.* ,, ,,
,,	- ·12574 of 10 ,,		neither gaining nor losing.
,,	- ·11439 of 11 ,,		losing 100*l.* beyond the premium-money.
,,	- ·09516 of 12 ,,	,,	200*l.* ,, ,,
,,	- ·07305 of 13 ,,	,,	300*l.* ,, ,,
,,	- ·05202 of 14 ,,	,,	400*l.* ,, ,,
,,	- ·03454 of 15 ,,	,,	500*l.* ,, ,,
,,	- ·02148 of 16 ,,	,,	600*l.* ,, ,,
,,	- ·01256 of 17 ,,	,,	700*l.* ,, ,,
,,	- ·00693 of 18 ,,	,,	800*l.* ,, ,,
,,	- ·00362 of 19 ,,	,,	900*l.* ,, ,,
,,	- ·00179 of 20 ,,	,,	1,000*l.* ,, ,,
,,	- ·00144 of 21 to 1,000 ,,		1,100*l.* to 99,000*l.*
Certainty	= 1·00000		

It thus appears that notwithstanding the annual premium for a whole of life insurance is generally about 2*l.*, when that for one year's insurance is 1*l.*, there would still be among 1,000 such lives the probability represented by 144 chances out of 100,000, or about one in a thousand, that the whole of life premiums would not be sufficient to pay the year's claims without the aid of extraneous capital.

The following Example illustrates a higher rate of risk:—

Example V.

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EXAMPLE V.

If 100 risks of 100*l.* each be accepted at a fair premium of 10*l.* per cent. for a year's risk (independently of expenses), the premium money will be 1,000*l.* and the liability 10,000*l.* The resulting probabilities of gain or loss will then be as follows :—

Probability	-	·00003 of 0 deaths, *i.e.* of gaining the whole 1,000*l.* premium-money.				
,,	-	·00030 of 1	,,	,,	900*l.* of the premium-money.	
,,	-	·00162 of 2	,,	,,	800*l.*	,, ,,
,,	-	·00589 of 3	,,	,,	700*l.*	,, ,,
,,	-	·01587 of 4	,,	,,	600*l.*	,, ,,
,,	-	·03387 of 5	,,	,,	500*l.*	,, ,,
,,	-	·05958 of 6	,,	,,	400*l.*	,, ,,
,,	-	·08890 of 7	,,	,,	300*l.*	,, ,,
,,	-	·11482 of 8	,,	,,	200*l.*	,, ,,
,,	-	·13042 of 9	,,	,,	100*l.*	,, ,,
,,	-	·13187 of 10	,,	neither gaining nor losing.		
,,	-	·11988 of 11	,,	losing 100*l.* beyond the premium-money.		
,,	-	·09879 of 12	,,	,,	200*l.*	,, ,,
,,	-	·07430 of 13	,,	,,	300*l.*	,, ,,
,,	-	·05130 of 14	,,	,,	400*l.*	,, ,,
,,	-	·07256 of 15 to 100	,,	500*l.* to 9,000*l.*		,,
Certainty = 1·00000						

It thus appears that notwithstanding the annual premium for a whole-of-life insurance is generally about 14*l.*, when that for one year's insurance is 10*l.*, yet that in a society of 100 such lives there would be still 7,256 chances out of 100,000, or about seven out of 100, that the whole-of-life premiums would not be sufficient to pay the year's claims, without the aid of extraneous capital.

The late Dr. Thomas Young made a similar set of computations. The preceding examples are intended to illustrate that an exact correspondence between the amount of premiums and amount of claims is not to be expected; and that though the probabilities of gain may greatly preponderate over those of loss, yet that some extraneous capital, at least to a small extent, is implied from the very nature of assurance calculations themselves.

72, Cornhill, London, June 1853. *Edwin Jas. Farren.*

Jovis, 23° die Junii, 1853.

MEMBERS PRESENT.

Mr. Wilson.	Mr. Cowan.
Mr. Sotheron.	Mr. Geach.
Mr. Muntz.	

JAMES WILSON, ESQ., IN THE CHAIR.

Mr. *Edward Ryley*, called in; and Examined.

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2818. *Chairman.*] ARE you an Actuary?—Yes.

2819. What office do you belong to?—I have not been in connexion with any office in particular for some time; I practise entirely as a consulting actuary; I am consulting actuary to several offices; my occupation, however, is as much that of answering cases which I receive from different offices with which I am not connected, and from professional gentlemen, solicitors, and such persons, as any other.

2820. Has your experience of life assurance offices led you to form any distinct opinion with regard to the necessity of legislation?—I have thought a good deal upon that subject, I may say for some years, and I have rather strong opinions upon it. I consider that legislation upon the whole is decidedly mischievous; that it has already been found to be mischievous so far as it has been applied, and I cannot conceive any legislative measure which would answer the end proposed,

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which I suppose is the protection of the public from fraud and even ignorance, I think the operations of the Joint Stock Act has brought into existence a vast number of offices which would never have seen the light without it; and I believe, I may say that I know, that the idea that Parliament may now be about to legislate upon this subject, has induced persons as it were to get ready for that legislation, to take advantage of it, and to be prepared to come forward, as it were, under the ægis of Parliamentary protection, who I believe would otherwise not have thought of having anything to do with the matter. In the case of friendly societies, I think that much mischief has been done by the supposition which has prevailed in the country, that these things were under the protection of Parliament; that Parliament had been good enough to think for people upon this subject, and this has in a great measure relieved people from the responsibility of forming their own opinion. If Parliament could devise a test of the soundness of any office, that would certainly be of very great value, and would relieve each individual from the responsibility of testing for himself the position of the office into which he wished to enter; he would no longer consider the question of whether it was a solvent or an insolvent office, but he would look at the premium and judge for himself upon other grounds; at least there would be a tendency that way.

2821. That is on the assumption that Parliament would take on itself to decide which are good offices and which are bad offices?—I think the assumption I make is rather wider than that, though I do not suppose that Parliament will ever make a schedule, and put certain offices into one category, and call them good, and certain officers into another, and call them bad. I suppose that Parliament will either insist on what they consider a sufficient test being given by each office of its solvency, or that it will actually superintend its operations. I have heard four proposals made with respect to legislation on the subject; the first is, that a paid-up capital of 50,000 *l.* should be required from every new office; of course legislation of this kind can hardly be expected to be retrospective; you can hardly require an existing mutual company, take the Equitable for instance, to do anything of that kind. Supposing the Equitable were not in the very flourishing state, which it is notorious that it is, you could hardly go back in legislation and demand of it as of every new company the sum of 50,000 *l.*; but looking at the question as bearing upon new companies, there is no doubt in the world, that if you were to ask for a capital of 50,000 *l.* they would start with a capital of 50,000 *l.*, and you would thereby do an infinite deal of damage to the assurance interest; for the use which is practically made of the capital of a newly started assurance company is to buy business.

2822. Suppose it is insisted that the capital should be invested in the names of trustees?—I am now supposing simply that the 50,000 *l.* is required to be paid up. Perhaps in anwer to the question I may as well go to the next proposed remedy, which is, that a certain sum, say 10,000 *l.*, that is what I have heard spoken of outside, should be invested in Government securities. Now, there are several classes of assurance offices, but only two main classes; there are purely mutual companies and there are proprietary companies; now, to insist upon a sum of 10,000 *l.* being paid up and lodged in Government securities, is another way, in point of fact, of saying we will have no more mutual assurance companies. Now, decidedly the mutual assurance system has all opinion and authority in its favour. The introduction of capital into assurance offices has been the source of a great deal of harm, although of a great deal of benefit also: the harm that it has done, has been this; that life assurance is no longer considered as a sort of social institution, but as a matter of trade and barter; different companies with capital come into the field and get as much business and profit as they can. The Equitable started upon the principle of mutual assurance, each person could not insure his own life, so people banded together and did it mutually; they found that that was safe in the average which was most uncertain in the particular. The benefit that companies have done by the use of their capital is this: they have opened new fields for life assurance, the extension of which is certainly a great social advantage, by sending agents into the country, and looking out for business, whereas these joint mutual institutions for the most part simply attend to such business as comes to them. It is a remarkable fact, that Mr. Morgan, the late actuary of the Equitable, a name which cannot be mentioned without the greatest respect, for I believe that Mr. Morgan was more profoundly acquainted with this subject than most men; that Mr. Morgan's chief fear, in the case of the Equitable, was not that they should not do business enough, but that they should do a great deal

deal too much; that is a point which is entirely lost sight of in the present race for business.

2823. You are aware that it has been stated to the Committee that there are very few mutual assurance companies that have not a paid-up capital?—I believe, if you inquire into the history of mutual assurance offices, you will find that the Equitable started without any capital whatever.

2824. That is not the point?—I am quite aware that some offices started, not with capital, but that certain gentlemen taking an interest in the question put into the names of trustees a certain sum of money. In one large mutual insurance company, an exceedingly well known one, each of the directors put 3,000*l.* into the names of trustees; more recently, I know of the existence of a purely mutual insurance company, where the sum of 3,000*l.* in all was subscribed by the directors amongst themselves, where it was considered a sufficient guarantee, and has, in point of fact, proved a sufficient guarantee.

2825. Where directors were disposed to subscribe 3,000*l.* a-piece as a guarantee fund, or whatever that fund might be, should you regard that as a very good test of the *bonâ fide* intention and motives of the parties?—That would indeed be a very good test of the *bona fides* of the gentlemen who joined the society, but I do still think that it would not be a good thing to hamper the extension of the best system of life assurance by conditions which will in a great many cases be very difficult and embarrassing to comply with.

2826. How do you reconcile that fact with what has been stated to this Committee, that several of these mutual offices have started with an actual paid-up capital and a guarantee extending beyond the paid-up capital; how do you reconcile that with the opinion you have stated, that were a capital required to be paid up it would put an end to what you term the best system of life assurance?—I do not say that it would put an end to it; I said it would hamper it with a difficulty which I think quite unnecessary; I am not aware that in the case of any life assurance office the guarantee has ever extended beyond the sum actually deposited; if it is so it is not known to me. The third suggestion that I have heard discussed is, that a Government actuary should certify the correctness of the valuations of an office; and I suppose that by correctness is meant the correctness of the principle and the correctness of the calculation. I think there are very strong objections to such a course. I will hand this paper in to the Committee in a corrected form, but I have before me now some particulars with respect to three offices, which I will call A. B. and C.; one is 18 years of age, the other 17 years of age, the other four years of age; the premiums charged by these companies are much about the same; if I take the average ages of 30, 40, 50 and 60, office A. charges 4*l.* 3*s.* 9*d.*; office B. charges 4*l.* 4*s.* 11*d.*; and office C., the more modern office, charges 4*l.* 5*s.* 6*d.*

2827. Is that an average rating?—Yes; I add together the premiums for those ages, and I divide them by four.

2828. Mr. *Sotheron.*] Are we to understand that these three sums represent what is charged by these three different offices?—Precisely.

2829. That the office which is four years old, charges 4*l.* 5*s.* 6*d.* for exactly the same thing as these older offices charge 4*l.* 3*s.* 9*d.*?—That is the case with regard to these individual offices, which have only been chosen by me because their statements happened to be on my table.

2830. *Chairman.*] Are the conditions the same as regards their participation in profits?—No; the two first are entirely mutual, the third is mixed, proprietary and mutual. Suppose each of these offices had a million insured, the total income of office A. would be 33,300*l.* odd; office B.'s is nearly the same, it may be called the same, there is not 150*l.* difference; office C., for a million insured, charges over 35,000*l.*, which increase is due not only to their charging rather a rateably higher premium, but they also take what are called diseased lives, which, of course, would throw up the average of their income per million insured. These offices have each put forward a valuation of their assets and liabilities. Office A. considers it necessary to retain the sum of 98,800*l.* for every million insured, to meet its future liabilities; that is, the premiums are not sufficient to meet the future risks; they want 98,800*l.* to reinforce them; anything they have over that is profit. Office B., within one year of the same age, comes to a very different conclusion indeed; it considers 8,800*l.*, or 90,000*l.* less, sufficient for the same purpose. Office C., the youngest office of all, comes to a very extraordinary result; it finds not only that its future payments are quite sufficient to meet all

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risks undertaken, but, moreover, that it has 93,000*l.* coming in as profit upon the million insured.

2831. Mr. *Sotheron.*] Does it put that forth?—It puts that forth; there is some modifying statement as a commentary upon this portion of the balance-sheet, but there in the result, with a rider upon it in the way of a note or opinion.

2832. *Chairman.*] In estimating the surplus upon their future receipts as compared with their existing liabilities?—I am speaking of all these figures subject to correction, for I have been out of town, and I fear have left my papers behind me; and this prevents my going into some other points as to these offices, which would furnish the Committee with some information. But applying this to the subject of the appointment of a Government actuary. If you appoint a Government actuary you must necessarily select him from existing actuaries; there is no manufactory for actuaries where you can get one made to order; you must take an existing actuary and make him a Government actuary. These three valuations show how very differently different actuaries treat questions of this kind, because it cannot be supposed that the difference of the ages of these offices has made all this difference; of course it would make some difference, but in offices aged 17 years and 18 years the difference must be very small indeed; as to the office which is only four years old, of course it will be much more considerable. Now, a Government actuary might, by adopting an erroneous principle, make it universal.

2833—6. *Chairman.*] What did you say was the age of the first office here?—Eighteen years; the other was four years; I do not pledge myself that those are the present ages of the offices; those were the ages of the offices when they made the statements, which happened to be at my disposal.

2837. Mr. *Sotheron.*] I understand you to give these three offices as instances of the very different result of the calculation of the assets and liabilities of a company; I ask you whether the difference of premium charged by these three offices will not account for a large portion of the difference in the result?—With respect to a comparison of offices, A. and B., there is practically no difference in the premiums; as to a comparison of A. or B. with C., there is a difference decidedly, but not one which will account for the great difference of results. I should observe that the tendency of tables of premiums of late years, has been rather to increase than to decrease; there is an impression that offices are getting lower in their terms; the result of my observations is that they are getting higher; and it is necessary that they should get higher, for they have to spend a great deal of money in the acquisition of business, which older offices have not.

2838. I understand you to give these as your reasons why a Government actuary should not be employed?—Exactly. The uniformity so obtained might lead to uniform error. It is clear that, making every possible allowance of every sort, there must be a very great discrepancy in the principle of taking the valuations of the two offices, A. and B.; a difference of 90,000*l.* in the sum of 98,800*l.* There is, then, a very great discrepancy in the opinion of individual actuaries from something like the same figures; this may arise from the assumption of different rates of interest. I am myself quite satisfied of one thing, which is, that if offices do not go into speculative investments, which clearly they have no business to do, they cannot in the long run make more than 3 per cent. interest. Other actuaries have calculated on a higher rate of interest. No doubt I could have numerous instances put before me of their having succeeded in investing large sums at 4 and 4½ per cent.; but my answer to all that is, that I am speaking of compound interest not only upon the actual investments, but on all the premiums paid. Another source of discrepancy is, that it is not the premium, less the deduction for the expenses of managing the business, but it is the full premium, that is taken into the calculation by some actuaries.

2839. *Chairman.*] Including the whole balance in hand?—The whole balance in hand and the expenses.

2840. From the rate of interest actually received from investments, you must deduct the loss of interest for periods when capital is not employed at all between one investment and another, and prior to its being invested at all; and making those deductions on an average of years, although in certain cases much larger rates of interest are received, yet the net rate of interest for a period of years upon the total funds of the society would not exceed 3 per cent? Exactly. There is one thing connected with the rate of interest which I should wish to notice; this is, that a higher rate of interest may be got for small sums than for large sums. A person who wants to invest 2,000*l.* or 3,000*l.* has the advantage of the market,

market, because there are many persons who are desirous of borrowing such a sum as that; but when you come to the large sums which an office must accumulate, instead of the market being in your hands you are in the hands of the market.

2841. Adverting to these three cases you have mentioned, can you inform the Committee, if in estimating their future income, in what way they compute the premium; whether the premiums are computed in all three cases, on what may be called the chief arithmetic risk, or whether in any case they consisted of the gross premium charged, including the loading, or whatever margin may be put in for expenses and risk?—From the aspect of the balance-sheet, as an actuary, my opinion is, although I will not undertake to say that the fact is so, that this office which charges itself with 98,800 *l.* has made its valuation at 3 per cent., and in charging the premium against the reversion has put by or cut off from the premium a certain proper proportion, so as not to skin the transaction altogether, but to leave some allowance for future divisions of profits; I believe they have made allowance for the future division of profits, and for the working expenses of the office: and that the company which has come to such a different result, a difference of 90,000 *l.* in the sum of 98,000 *l.*, has first of all made its valuation at a higher rate of interest; probably induced thereto by the then state of its own funds, and that they have, in the next place, made no reservation whatever, but valued the full premiums against the reversionary sums. And as to the third office, that they valued at 3½ per cent., which is a half per cent. too high, and the sum they valued, there is no doubt in the world, was the full bulk of the premiums considered as annuities against the reversionary sums for which they are pledged. Now the surplus thus created they have no intention of dividing; if they were to divide it, they would, in point of fact, divide a thing which is not now in existence, and which, as a matter of fact, never will be in existence; for some of these policies will lapse. We know by experience that large numbers of them will do so, and every policy which lapses will withdraw something from the 93,000 *l.* which they profess to have over and above their liabilities. Some of these policies will be three or four years of age, and this very company will be prepared to give the persons holding them something for their surrender; they will be compelled to do so by the ordinary usages of life offices. Where a policy has been in existence some three, four, or five years, some sensible sum of money will be given to the person who surrenders it.

2842. Mr. *Muntz.*] In this calculation have you not allowed for that?—Not in this calculation.

2843. *Chairman.*] Reckoning them as present assets, what may be the future liabilities?—I will suppose that my life is insured in an office for 1,000 *l.* I have 30 *l.* a year to pay for it. On a valuation of the reversionary sums and the premiums, the office find that that policy is a profit of 20 *l.* to them. Some time after I wish to get rid of the policy; I wish to close the transaction with the office, and I say, "What will you give me for the surrender of it?" They offer me 20 *l.*, after I have paid, say four premiums, amounting to 120 *l.* The sale of that policy not only destroys 20 *l.* out of the 93,000 *l.*, but it charges the office with another 20 *l.*, and so makes a difference of 40 *l.*

2844. As to these three offices, you have told us one was 18 years of age, the other 17, the other 4?—Yes.

2845–6. In the first place, may not the difference of age account to some extent for the oldest office requiring or estimating that they require a larger amount of capital, in order to meet their liabilities, than the younger office; and will not a greater number of the risks they have undertaken be nearer maturity, and more likely to become due?—Unquestionably, that not only makes a difference, but a very sensible difference; but it must make a difference greater than I believe to be possible before it makes *plus* 98,000 *l.* into *minus* 93,000 *l.*, which is an extraordinary difference, being, in fact, 191,000 *l.*; but one which would be fully accounted for by the different principles upon which the valuations, according to my supposition, have been conducted.

2847. You mean to say the reasons you have given rather account for the fact than justify the occurrence?—Precisely.

2848. I want to put a question to you as an actuary; those three accounts placed before you, without any explanation whatever but the bare accounts as they stand upon that paper, might lead you to suspect that they have been dealt with in these various forms?—Precisely.

 2849. But

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2849. But they would not necessarily furnish you with any means of coming to a determination whether they had been so or not; but suppose that in that account you were told the rate of interest at which these accounts were calculated; the number of years which the office had been in duration; the average period of ages with the risks included, and the mode in which the computation of future assets had been made, whether a net amount of premium after making an allowance for expenses and future profits, or whether the gross amount of premium which the parties had to pay had been taken credit for altogether; supposing you had those elements accompanying those accounts, should you not, as an actuary, be able to satisfy your own mind whether the condition of the company was satisfactory or not?—As an actuary, I should undoubtedly be able to satisfy my own mind, and be quite ready to support any opinion which I might entertain; but looking to the position and eminence of men who do not agree with me in such an opinion, I think that if the Government were to appoint an actuary, and now I am coming to the conclusion, which I would draw from the facts stated, who should have absolute power, there is very great danger indeed that they might happen to appoint a man of very extreme opinions, and who might, one way or the other, act very wrong, whereas, if you leave each office to be advised by its own actuary, although one particular office may go wrong, yet on the whole, with the spread of information upon the subject, no very great damage would ensue. As I have mentioned these three offices, I wish to be allowed to make one observation; and that is, that there are many things to consider besides such figures as these; every one of these offices, to the best of my knowledge and belief, is in a perfectly sound condition. The office that has reserved 8,800 *l.* is, I believe, now,—I do not think it will be if it continues such assumptions for a long period of years,—in as sound a position as the office that has reserved 98,800 *l.*, and I will explain how that may be true, which appears highly improbable in itself. The way in which they applied the bonus resulting from those valuations, may insure that no sensible damage may arise. If the bonus upon each policy is made to attach to the policy, and become a portion of the debt which the office owes to the individual, that bonus must be taken into account in the question of solvency; but if the bonus only attaches in this way, that the office says, "I have got such a sum of money in hand, that I will give a bonus of so much to every person who shall happen to die this year," the bonus does not, in this case, attach to the policy unless the policy becomes a claim that year. The office then, at the end of the year, has the power of reconsidering its position with respect to the remaining mass of the assured, which will be the most considerable portion of the whole, who are in existence at the beginning of the next year; therefore, it is not always, happily, that even if a mistake is committed in the principle upon which the valuation is conducted, that such mistake cuts at the solvency of the office which has adopted a false principle. In each particular case there are special circumstances to take into account, and these will completely preclude the possibility of applying any one rough test of solvency, deduced only from the plan of valuation adopted, to all offices alike.

2850. Supposing that the Government do not appoint any actuary at all to examine into these accounts, what then would be your opinion as to the effect of these elements to which you have referred, which would enable you along with these accounts to come to a correct opinion as to the state of the office, and the mode of conducting their business?—Is your question, "What would become of the office that did not employ an actuary at all?"

2851. You have not understood me; you are stating objections against the employment of a Government actuary?—I am.

2852. I understand you to say, that actuaries differ so very much, that although the mode of taking the accounts might be perfectly correct, yet the Government might be of a very different opinion. You illustrate your objection by showing three different statements coming to very different results under, in some respects, similar circumstances; now, I ask you when you state that, putting out of the question altogether the fact of the Government actuary, whether or not it would not be a great advantage to the company, and to you as an actuary, if you were called upon to give an opinion, to have accompanied with these facts that you have put on this paper the other facts to which I have referred; that is, the rate of interest at which the calculations have been made, the average ages of the persons insured, and from whom the premiums are derived, and the mode in which

which the future calculation is made, whether upon the net premiums, or premiums loaded to cover future expenses, if you had simply that information?—If I had that information before me, I could on a consideration of the company's tables, and of the particular risks that it was under, unquestionably come to a satisfactory conclusion; but I confess that in such a matter, I should have to go through all the labour of individual investigation, because there would be many things to consider besides the mere rate of interest which would be adopted. There would be not only the rate of interest, but the law of mortality, the reservation that was made or was necessary for expenses of management, and the different plans of assurance and of dividing profits adopted, and there are now such an immense variety of different tables, that the information that would enable me to come to that conclusion must be very voluminous indeed; I should require to have these particulars, not stated in the mass, but stated with respect to the tables of the company. I may mention that, a fortnight ago, I was called upon to see something about the tables of an existing office, and I found that they were doing business upon 22 distinct tables. I should require these particulars with respect to assurances under every one of these tables.

2853. Could you suggest to the Committee any rough but tolerably safe mode by which the solvency or general condition of an office could be ascertained?—If I had before me the tables of any one company, I could, for its various years of age, give a rough test of its solvency; but when you consider the numerous different premiums which are charged by different companies, and see the different ages of different companies, I think that any rough test whatever is quite impossible. I will illustrate my opinion by a fact: at the age of 30 years there are some offices which charge 2*l.* for insuring 100*l.*; there are other offices which charge nearly 3*l.* Now in the case of the office charging nearly 3*l.*, I consider that a reserve of one-third of the premium so paid will at the end of five, six, or seven years be sufficient to meet future liabilities; another third of this premium of 3*l.*, or 1*l.* out of the 3*l.*, would be taken up in meeting the current claims of the office; the other 20*s.* would be bonus for the benefit of the shareholders or assured, after payment of expenses, according to the constitution of the company. But when you come to a premium of 2*l.* instead, I find that if they pay the same amount in claims, and of course the premium which the office charges has nothing to do with the rate at which the lives fall, that is,—a man will die just as soon, whether he pays 20*l.* as the premium for 1,000*l.*, or 30*l.*, and if another 20*s.* were reserved as in the former case, there would absolutely be nothing left for either expenses or profits.

2854. Suppose you had an office charging 3*l.* and another charging 2*l.* for the same risk which you have stated, would not the one charging 3*l.* be in a very much worse condition prospectively than the other, from the circumstance that it would be very unlikely to be renovated with new business, whilst the one charging 2*l.*, if a respectable office, would have the chance at any time, if not the certainty, of being renovated by a much larger amount of new business than the other?—My knowledge of assurance business leads me to a rather surprising conclusion, and one which *à priori* would not be arrived at, and it is, that the public much more affect offices which charge a full premium than they affect those offices which charge what the public believe to be a narrow or insufficient premium. They are afraid of the narrow premium proving insufficient; they therefore go to the office charging the larger premium. And an office that charges much more than another, generally offers to the public some extra inducement to come to it. If it is a mutual office, it says, "We acknowledge that we charge you more than the thing is mathematically worth; but every five years, or at certain periods, we examine into our accounts, and if we find we have charged you too much we pay it you back again; you have the benefit of a bonus; so that by the time of your death you really get, not the 100*l.* that you insured for, but 170*l.* or 200*l.*, which we find to be the sum which your premium has, as a matter of fact, paid for."

2855. To such an extent the additional premium is nominal, and not real?—Yes, except that unquestionably it allows for a great many contingencies which the other premium does not allow for; and after all, the addition of the bonus to the policy after insurance is a different thing from a bargain that the sum shall be so much; that is, it is a very different thing to insure 100*l.*, and such bonus as the office can afford, to insuring 150*l.* dead for the same premium.

2856. Is there such a thing as a difference between 2*l.* and 3*l.* in offices incurring risks under the same circumstances and on the same conditions?—Not

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under the same circumstances I think, but there are two offices which are now, or were a year or two ago, precisely similarly situated. They were both proprietary offices, and neither of them pretended at that time to offer a penny back to the assured in the shape of bonus. They were neither of them modern companies; one charges a premium of some pence under 2*l.*; 1 *l.* 19*s.* 7*d.* I think it is; and the other charges a premium of 2*l.* 13*s.* 7*d.*, perhaps 5*d.*; that is a fact; I could, of course, name the companies, but I hope you will excuse me.

2857. They are both offices which, in the estimation of the public at large, are of undoubted responsibility and solvency?—I believe so; but they are both offices which have never published any accounts, and which nobody in the world knows anything at all about.

2858. Are they offices of very large business?—Yes, both of them; and both of them now, I believe, are offering bonuses; one within the last two years.

2859. Mr. *Cowan.*] Is there a similar proportionate difference attained at other ages of life?—There is a difference, but I am not quite sure that it is a proportionate difference: I do not select the age of 30 with the view of supporting any particular view, but only because I happen to remember the premiums at that age.

2860. *Chairman.*] Are you not of opinion that persons on insuring their lives are very careful, in taking respectable companies, to examine those offices which offer the greatest amount of advantage, rather in the shape of low premiums, or in the shape of large returns upon the profits?—I think that the public are much more alive to that sort of thing than they were some time ago; but still I should very much doubt whether, if I were to come forward with the offer of any possible premium, I might not get some customers; particularly if I spent the necessary money in sending into the country, and amongst the classes who do not understand the subject, and who when they are once convinced that it is a good thing to insure their lives, go to the agent who has convinced them of that fact, and adopt also his opinion that his office is the best to insure in.

2861. Mr. *Sotheron.*] Having shown us the inconveniences, can you suggest any mode by which that which is clearly a bad thing should be prevented; namely, that you or any other person should go and offer advantages which you know before cannot be realised?—I would certainly, I think, retrace the legislation which has already taken effect on this subject. I would not allow any office to have any of the credit attaching to having complied with the terms which Parliament has considered necessary; and if you had any enactment at all,—I would rather have no enactment at all,—I would rather leave the responsibility with the public; but if you have any enactment at all, it should be, I think, for the simple publication of accounts of two kinds. The first should be an annual account of all receipts and disbursements (I would not give any form for it, I would let the offices return it as they please), and an account of the assets and liabilities, and such other information as the deed of settlement requires them to give to their proprietors, or to the mutual body. I would require the publication of these accounts as much in the case of an old company as in the case of a new one.

2862. But after the example you have given us, do you suppose that such return would be of any value at all?—I think it would be of some value, for I think people are getting to know more upon this subject than they formerly did; and if you were to furnish them with the means of informing themselves still further, I think they would avail themselves of those means, and that the relative position of offices would year after year a little more leak out, and be much more freely discussed.

2863. Would you leave it to the offices themselves to make out this calculation of their liabilities and assets in any form that they pleased?—Yes; quite unreservedly, leaving the responsibility with them.

2864. If such should be the case, and the three offices which you mention had to make such a return, would you not get those very remarkable results which you have given us?—Yes, I should.

2865. Would not that mislead the public instead of guiding them?—In the long run, I think it would correct itself.

2866. Mr. *Cowan.*] Be good enough to explain what you mean when you say that you think in the long run it would correct itself?—There are at present but few offices that make returns. I think if offices would more universally make returns, those returns would be more compared than they are now. I think that if each person felt himself under the responsibility of inquiring into the respectability of an office, that knowledge

knowledge on this subject would be much larger than at present exists. There are offices who put forward in their prospectuses enormous subscribed capitals, and which have been in existence many years, yet no living soul has ever seen any statement of either receipts, disbursements, assets, or liabilities.

2867. Mr. *Sotheron.*] You have been speaking of the public, allowing them to be much better informed; but I am anxious to know how you would prevent those who have the management of these offices from being left to make whatever return they pleased, from making a return which should rather mislead the public than direct them?—It would be easily detected; it is very evident indeed, upon the inspection of an account, whether people mean it to be understood or not; and I do think a company would be putting itself under very great disadvantage indeed, which, being compelled to make a return, should make a return which was really unintelligible.

2868. Do you think a company would make to Parliament a return more accurate than it would make to its own proprietors or members?—I am only insisting upon their making to Parliament this same return that they make to their proprietors. At present, every company no doubt makes some statement to its own proprietors, though I must say I have seen great and highly respectable companies, very wealthy indeed, which make such returns perfectly illusory. I think the best remedy for that will be to insist upon those two balance-sheets that I spoke of, and allow people to compare the returns of one office with another, unless you are prepared to let it alone altogether, which is my point.

2869. Would you not get from those three companies you have mentioned, those three remarkable returns that you have given us?—Yes; those three companies would do no more than they do now, but I should like every company to do what those three companies are now doing.

2870. How would you set to work to induce those three companies to give you a return which really and truly should give you a view of their actual condition, because I presume you consider that at least two out of the three do not give you a view of their actual condition?—I am not quite prepared to say that. They give me such a view of their actual condition by the inspection of their returns, that although I see upon them many things which I cannot altogether coincide in, I yet conceive that those three offices, any one of them, are perfectly solvent. I say nothing of bonus and advantage. I should not object to insure my life in any one of those three offices. I should not think my money was in danger.

2871. You would not think they were solvent, because of that return; the returns would not be an element in your arriving at that conclusion?—Yes, they would. This is only a selection of certain parts of these returns, which I have got together for the sake of comparing the very great discrepancies which may arise between different men, according to their opinion as to the principles upon which a valuation should be conducted. I have no objection to make to the form of the returns; but these different returns embrace a vast number of facts which I have not mentioned to the Committee.

2872. Mr. *Geach.*] Have you got all your information from these published returns?—Yes.

2873. Mr. *Muntz.*] Notwithstanding all these discrepancies, you consider these three offices all safe, you say?—Yes, I think they are.

2874. According to that the discrepancies are not very objectionable?—Not as respects the solvency of the offices; but I should say that if two of those offices were to persist not in that sort of account, but in the principle of valuation adopted, and were to act upon it, that they would certainly not continue solvent; but my confidence is, that this office, which lays claim upon a million insured to a profit of 93,000*l.*, will leave that profit entirely alone, and never think of touching it; and that as balance-sheet after balance-sheet appears, when it comes to a division of profits they will furnish a just estimate of their position, and divide only that which they have to divide.

2875 *Chairman.*] They are only safe, provided they are not acted upon?—Such a valuation as that is only safe, provided it is not acted upon.

2876. Mr. *Sotheron.*] Setting aside the idea of a Government actuary, you think it is undesirable to require returns in a particular form, so as to produce a uniformity of results?—I think so, for this reason: I do not think it would be possible to frame a clause or a schedule which would meet every case; I think we should place in that matter the same reliance which Sir Robert Peel was willing to place in the returns of the banks; he required certain facts from them;

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he required the publication of those facts, but he did not impose upon them any form, and he did it advisedly, for if I remember right he said upon that occasion, "That it was quite impossible to foresee beforehand all the incidents, and to embrace them in a general formula."

2877. As a matter of comparison between one company and another, do you then, with the opinion which you now express, think that there is any use in any return at all?—Yes, I should think there would be some use in returns, and I do not think that the full use of these returns would be apparent in one, two, three, four or five years, but I think that the advantage would be accumulative.

2878. What kind of accumulative advantage would you expect?—I mean that the grounds for forming a comparison would become wider and wider; as time rolled on, there would be a greater number of companies and a greater number of returns from each company; a company may give a very delusive return for one year, but if it sticks to that same form year after year the delusion will soon become apparent, because after all, if they pretend to give any return at all, that return must embrace some facts.

2879. Mr. *Muntz.*] In your opinion, it will become apparent before it has produced any serious ill effects?—Yes, in 10 years, if it does not in three.

2880. But before it has produced any serious effects which had become apparent?—I cannot say that; that will depend upon how cunningly the delusion is managed, and how long the false principle is acted on.

2881. Mr. *Sotheron.*] Not speaking of cunningness or delusion, as I understand these three cases are not intended or thought to be delusive returns, and yet they are so very different one from the other, that you can hardly suppose that by means of them any person can arrive at a statement of the solvency of any one of these three societies?—Decidedly.

2882. Then do you think there is any use at all in requiring returns if honest people setting deliberately to work can return for such cases as these three offices such different results?—Yes, very great benefit; I will undertake to say, that as the series of the valuation returns of each of these offices go on, that anybody will be able very soon indeed, by a comparison of one with another, to elicit the state of the companies from these returns, which are particularly honest, straightforward, and good returns; I could not desire anything better.

2883. Mr. *Geach.*] Those three instances which you have mentioned, are got from the investigation of the affairs of the offices, from their books, or from some printed return?—Merely from published statements.

2884. If those three instances can be got from published statements, and you are enabled to say that, from the information you got there, you should not hesitate a moment in insuring in either of those offices, do you not think that a published statement that would enable you to do that, if it were made general, would be beneficial?—Decidedly beneficial; my only objection to it is, that it should be done compulsorily, and that Parliament should appear to the public to put that forward as a test of that which really after all in some cases it will not be a test of. There has been restrictive legislation with respect to joint stock banks. I wonder if a joint stock bank were to go now, whether Parliament would feel called upon to pay the losses, provided the company itself did not pay them. Parliament has interfered with the natural run of commercial transactions; it has put forward in the case of the joint stock banks certain restrictions; it says, "You shall not have a share of less than 100 *l.*; you shall not have less than 50,000 *l.* paid up," and many things of that sort. You have thus restricted the capital which has been placed in banking, and if that has not turned out well I think you ought to pay any losses which may arise.

2885. Mr. *Muntz.*] But you do not expect that, do you?—I do not. So in the case of insurance offices; if you interfere with them, if you put before the public a test of their condition, and encourage the public to believe that you are a paternal Government, and will see that they are not cheated, I think you are bound to stand by the result of that legislation in equity.

2886. There is a similar effect produced with respect to savings banks?—I do not know so much about savings banks as I do about friendly societies, but I have no doubt in the world that the ability which people have of saying that they are registered under the Friendly Societies Act, and that they have got Mr. So-and-so's certificate, and all that sort of thing, has been the cause of wholesale ruin

ruin by fostering the formation of companies under a delusive test, which has the credit of Parliamentary sanction. Mr. *E. Ryley.*

2887. Mr. *Cowan.*] Do you think it would tend more to the safety of the community if there were no Government interference whatever?—I am quite convinced of that myself. 23 June 1853.

A COMPARATIVE STATEMENT, referred to by Mr. *Ryley* in his Evidence, showing, with respect to three offices, A, B, and C; (1.) The age of each office at the date to which the other particulars refer; (2.) The average of its premiums for the assurance of 100 *l.* at ages 30, 40, 50 and 60; (3.) The amount of its annual premiums on the supposition that the sums assured by it amount to 1,000,000 *l.*; (4.) The value of such amount assured; (5.) The value of the corresponding premiums; and (6.) the reservation thought necessary by each office. The above particulars are all founded on statements made by the offices themselves. A. and B. are not registered, and C is a registered office.

	1. AGE of OFFICE.	2. Average of Premiums at Ages 30, 40, 50, and 60.	3. Annual Premiums to £. 1,000,000 Supposed Assured.	4. Value of £. 1,000,000 Supposed Assured.	5. Value of Corresponding Annual Premiums.	6. Reserve Required, or Difference of Two preceding Columns.
		£. s. d.	£.	£.	£.	£.
A. - -	18	4 3 8¾	33,481	589,770	490,927	+98,843
B. - -	17	4 4 10¾	33,356	448,495	439,650	+8,845
C. - -	4	4 5 6¼	35,812	401,239	494,163	−92,924

Alexander Colvin, Esq., called in; and Examined.

2888. *Chairman.*] YOU are an Actuary?—I am. *A. Colvin*, Esq.

2889. In what office are you?—The United Mutual Mining and General Life Assurance Society. 23 June 1853.

2890. In what year was your company established?—In the year 1849.

2891. Then it is established under the new Act?—It is.

2892. Has your attention been called particularly to the publications of the various offices under that Act?—It has.

2893. And to the balance-sheets?—And to the balance-sheets.

2894. With regard to the expenditure of these new offices, as shown by these accounts, have you any explanation to make to the Committee?—I think the expenditure has been exaggerated; at all events, as regards the comparison which has been drawn between the expenditure of some 21 old offices which have been brought before the Committee, and the 28 new companies whose accounts have been analysed and circulated.

2895. In what way do you think that the expenditure has been exaggerated; explain that to the Committee?—In the first place the period of the existence of the companies is not the same in the two cases. The gentlemen who have brought forward the expenditure of 21 offices, bring forward the expenditure of 21 offices each of which has been in existence for five years; it is not an average of five years; it is five years in each case. As regards the 28 modern offices, they take the actual duration of the offices; some one year, two years, three years, and so on, making an average duration of three years and four-tenths.

2896. That was stated at the time, was it not?—That was stated at the time, but still it is not a period of three years and four-tenths in each case, as in the other case it is a period of five years. If these offices had had an actual duration each of them of three years and four-tenths, instead of some one, and some two, and some three years, and so forth, the comparative expenditure would appear to greater advantage as regards the younger offices.

2897. If the average has been three years and four-tenths, then the duration of some of them must have been much longer than that?—The actual duration of the highest is under six years. In this case, therefore, it scarcely exceeds the actual duration of each one of the 21 old offices which were referred to. I might

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be allowed, perhaps, to state that that average duration, as regards the younger offices, is imperfect. Some of the dates are taken from the date of provisional registration, some from the date of complete registration, and some from neither. Now, in all the cases of the registered offices, no office is allowed to commence business until it is completely registered; and, therefore, the receipt of premiums should be reckoned from the date of complete registration, the expenses from the date of provisional registration.

2898. If that had been corrected in the account, what difference in the average would it have made?—The tendency of it would be to reduce the average period of the business existence of the offices. Probably it would bring it under three years, or down to three years, perhaps.

2899. Is there any other observation that you have to make upon the comparison?—There is one matter to which I would refer with reference to these 28 companies, how it happened that 28 only were brought forward. Mr. Brown stated that there were only 28 companies whose accounts were intelligible, or sufficiently so to allow of their being condensed. Now, that is rather an incorrect version of the matter. The mode in which they happened to be brought forward was this. Mr. Christie, on receipt of the Parliamentary returns, the account presented by order of Parliament, sat down and analysed the accounts, not of all the offices whose accounts were printed, but merely of 44 offices, who had their chief place of business in London and were life offices. Now, of those 44 offices, 10 were founded in the year 1851, and therefore had not been in existence sufficiently long at the date of the return, to enable them to deposit a year's account. Four others had ceased to exist years previously, probably before they had any account to render; that reduces the 44 to 30. Then of the 30, there are two accounts. I will not mention the names of the offices, but there is one set of accounts concerning which Mr. Christie says, "The accounts are so inconsistent and unintelligible that I do not venture to submit any abstract of them." Perhaps as bearing upon the question of a Government inspector, it may excite a smile if I say that these accounts which Mr. Christie pronounced to be so inconsistent and unintelligible, bear the signature of the then Secretary of the Board of Trade, who was a director of that particular office. Mr. Christie says they are unintelligible. I do not say that that is my opinion of them. I think if I were to sit down and examine the account, I could make out what the parties meant. But Mr. Christie probably was not aware that the office in question was founded before the Registration Act came into operation, but afterwards dissolved, and re-constituted itself under the Act. Therefore there was a quantity of old business brought in prior to 1844. I think it is probable from that that he got into confusion upon the subject. That reduces the number to 29. The accounts of the 29th office are not condensed by Mr. Christie, because he says the accounts are entered down to a certain period, and from another certain period on; "but the intermediate account from the 29th September 1849 to the 25th March 1850 being wanting, it is, of course, impossible to form a general abstract of the intromissions." Now, it seemed remarkable that the intermediate half year should have been omitted. I therefore went to the registration office to examine if the account was there; I found it was not. I then applied to the Secretary of the office in question: he said, "We certainly sent the account from here by the messenger, and there is an entry of the registration fee in our cash-book; whether the messenger entered it or not we cannot tell; he has gone to Australia; the first intimation we had of the account not being lodged was seeing this paragraph in Mr. Christie's Book." He said, also: "If the Joint Stock Office registration sheet would give us a receipt for the fees which we pay, or a voucher for the documents which we lodge, we should have some check upon the parties whom we send with them; but they always refuse to give any voucher for anything you pay, for any document that you lodge."

2900. The Act of Parliament does not compel them to do so?—They have said they are prohibited from doing it when I have applied to them; they have said, "We are not allowed to do it; we are prohibited."

2901. Neither for the documents nor the fees?—Yes; consequently, we are bound to register certain documents at certain times under certain penalties, and we have not the slightest voucher to show whether we have or have not complied with the Act.

2902. Supposing there were a fine attached to the non-compliance of the Act of Parliament, you would have no means of proving that you had complied with it?—

it?—No, unless by calling them to produce the books; I think that is a point that ought to be remedied. If we are bound to make certain returns, and are liable to penalties, the Board of Trade ought to allow us to have some voucher.

2903. Have you formed any opinion with regard to the efficiency or non-efficiency of the Act of 1844, so far as it has gone, or the Government interference generally?—I do not think that Government interference is likely ever to be of much avail. Any Act of Parliament which is passed, particularly upon a subject of this kind, would always be open to a host of technical objections; and whatever the enactment might be, if any parties failed to comply with what was supposed to be the spirit of the Act, there would always be so many technical objections raised that the case would never come to be decided upon its merits. If you could have some despotic power by which the moment an offence was committed the retribution should follow, then Government interference might be of some use.

2904. The objection which you make is rather that it is ineffective than that it is undesirable?—I think it is both ineffective and undesirable; the moment that the Government interferes to protect the public, that moment the public cease to take care of themselves; and in proportion as the Government interfere the public will become more careless.

2905. Mr. *Sotheron.*] An Act of Parliament which provides only materials by which the public may protect itself is surely not to be spoken of as an Act of Parliament by which the Government shall protect the public; is not there a great distinction between those two kinds of Acts of Parliament, one which shall require certain companies to furnish materials by which the public may judge for themselves, and another, such as you speak of, which enables the Government and authorises them to protect the public?—There would be certainly a difference between those.

2906. Under which of those two heads do you class the Joint Stock Companies Act?—Probably it comes somewhere between the two.

2907. Mr. *Muntz.*] Your opinion is, that whenever the Legislature interferes with a subject of this sort the majority of the public would depend upon the Government?—Yes; if you render any form of accounts compulsory there would be certain offices that would honestly comply with the Act, and give a faithful account of their affairs, and they would be roundly abused by other offices who did not do so, and it would be the honest ones who would be the most severely treated. It is the case now.

2908. With respect to these 21 old offices in which the account was taken, was it taken from any particular period of their business?—The first five years of their business, and they had all been in existence five years.

2909. Before it was taken?—Yes.

2910. That is the second five years of their existence?—No, it is the first five years, at least it is alleged to be the first five years; but beyond that there is another important point, and that is, that those 21 offices may be said to have been virtually selected offices. The gentleman who brought them forward said, "I applied to 21 offices, and I got the account from all I applied to." I could almost undertake to say that I could name the 21 offices; I could safely I think name 18; I know they would not be a fair average, but 21 of the best of the old offices; probably the gentleman did not think he was doing it, but I know the offices to which he would naturally refer.

2911. *Chairman.*] Would you require no test as to the *bonâ fide* object of the company, at first starting?—I think first of all, the *mala fides* ought to be proved, before any legislation should be required as a test of *bona fides*. I believe that, as a rule, the offices established under the Act of 1844 are to the full as honourably conducted as the offices of an earlier period. They number amongst their directors gentlemen of high standing in society; and I think, before any legislation took place with the view of testing the *bona fides* of the conductors of the offices, that *mala fides* should not be assumed, but proved.

2912. Mr. *Muntz.*] What is your opinion with respect to paid-up capital being any proof of *bona fides*?—That makes wealth the test of honour.

2913. What effect do you think that would have upon the circumstances of the person assured?—I think it would rather lead to public damage than benefit. The real security of the public lies here; that if an office is unsound in its principles, or if the parties are not competent to manage it, it shall be brought to a stand-still at the earliest possible moment; because, the sooner an office comes to a stand-still after it has started, the less difficulty in transferring the business to an

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old office. If there is a capital of 50,000*l.* paid up, that will probably enable the parties to go on from year to year, until perhaps an amalgamation is hopeless, or would be a matter of great difficulty to carry out; whereas if there is no capital, the office must be brought to a stand-still at an early period.

2914. *Chairman.*] Supposing that a capital of 50,000*l.* has been subscribed by directors who alone have the control of the business, and who alone can be consulted as to whether the office is to go on or not, do you think that the risk of 50,000*l.* of their own money, which would be required if the office went on, would not be rather an inducement than otherwise for them to pull up at such a period as they could dispose of that business without a loss?—I think that so long as there was money in hand, they would go on in the hope that they would recover themselves.

2915. You think that private individuals would see their own risk of 50,000*l.* every day becoming greater and greater, and the only advantage which could possibly be gained by their going on being the advantage to the public at large, they would incur the additional risk, and do everything rather than drop their business and dispose of it?—Yes; because they would believe that by going on they would redeem themselves. There are stronger cases than that have occurred, where parties have actually gone on paying calls successively.

2916. Suppose they redeem themselves, what advantage then would they gain?—They would not lose their money.

2917. Suppose they go on and get worse, how are they then?—They hope that they will not go on getting worse.

2918. Here are two prospects before them, one of getting worse, which is rather the more probable one from the fact that they are at that moment becoming worse, the other of ultimately redeeming their position. If they redeem their position, they do nothing but save their property; if they do not redeem their position, but the office gets on in future as it was going on at the time that they lost their money, is it not the case of a choice of loss on the one hand, and a gain to the office on the other without any advantage to themselves?—No, I think not. They would be certain to try their utmost to save themselves from loss, and to recover the money which they had already paid. But I know a case much stronger than that; I know a case in which shareholders have gone on paying up calls successively in the hope of ultimately raising themselves.

2919. Mr. *Sotheron.*] In the case which you have just put, of proprietors going on though they well knew they had no hope of recovery, are you speaking of proprietors who had risked nothing?—No; I am speaking of proprietors who were paying calls; paying in more money; adding to the risk. I knew of a case where I had it said to me, "We are going on losing; but we have got some good wealthy shareholders, and so long as they pay up we will go on."

2920. Was not the amount of money that was paid upon those calls a very small sum; should you draw the same argument in a case where the proprietors were risking a large sum?—The larger the call, of course, the greater difficulty in getting parties to respond to it.

2921. Supposing those parties who were carrying on a large business had 50,000*l.* contributed amongst them, and laid up as required by statute, do not you think that would make them more careful of going on with a failing business?—It would; still they would always cling to the hope that they would be enabled to regain that which they had lost.

2922. It is, of course, human nature, that all persons in such circumstances should cling to the hope of improvement; the question is, whether the apprehension of losing much capital would not bring them to their senses sooner than the apprehension of losing a smaller sum, or losing none?—The process would be gradual.

2923. Which of the two would be the quicker?—I think you would always get parties to hold on to the concern as long as possible. At every annual meeting it would be stated that by doing such and such things, the state of affairs would be bettered; and so on from year to year; if it came on suddenly, then probably it would be otherwise.

2924. *Chairman.*] Suppose two offices, the one without paid-up capital at all, or risk on the part of the directors, the other with a paid-up capital of 50,000*l.* amongst five directors, and otherwise in exactly the same position; the one risking only the premiums that had been paid, and therefore the funds belonging to the company, the other risking the funds and their own capital of 50,000*l.*, which

was

was coming to the relief of the losses; which of those two cases do you think most likely to come to a reasonable and prudent conclusion at first?—In the case of five directors paying up the whole capital of 50,000 *l.* they would be more likely to come to a sensible conclusion than where the money was contributed by a larger body of shareholders. I do not think any office has ever been started in which five persons have contributed 50,000 *l.*, the whole of the capital; that is an extraordinary case, and not likely to occur in practice.

2925. Mr. *Muntz.*] Companies are like individuals, when they get into difficulties they are always hoping to get better while they are getting worse?—Yes; and the larger the capital, and the longer the time they go on, the greater injury will be inflicted on the public. I think the security of the public lies rather in having a large number of shareholders each with a small stock, not too small,—comparatively small. You should rather prescribe the maximum sum which any body should hold than the minimum.

2926. Do you think any reasonable amount of paid-up capital would give a security to the public in regard to realising the profit?—No; the ultimate security of the public must depend on the premium. The only use of capital is that suggested by Mr. Neison, to facilitate the carrying on of business in the first instance.

2927. *Chairman.*] To spend it all?—To spend it all.

2928. Mr. *Sotheron.*] Have you ever, in your mind, determined any comparison between the amount of expenditure for management between an old and a new company?—That is a point which I should wish to come to. The expenditure of the older offices, the 21 offices, is put down at 14 per cent. I apprehend, in the first place, that does not include the whole expenditure, and this statement drew my attention to the subject. I find, for example, on looking through an account of an old office, which has been published recently, and which extends over a period of seven years, amongst the items of expenditure are "charges, 29,000 *l.*" Those are the charges which would most likely be included in such a statement as has been given in by Mr. Brown; but beyond those charges there are 9,000 *l.* for commission, and 20,000 *l.* for proprietors' dividends. All those three items ought to be included in comparing the expenses of the old offices with the expenses which have been put down against the new offices. Everything in the shape of disbursements on the part of the younger offices is brought into this account, whereas in the old offices I have every reason to believe that it only includes certain items.

2929. Including in that account the same heads of expenditure, what do you think ought to be the comparison between the old and the new companies?—In all probability, the expenditure of the young offices would be somewhat beyond the expenditure of the older ones; not to the extent that would be supposed, but the young offices take business which the older ones would not; there are a large number of policies issued now to persons in an inferior station of life to what used to be the case; it cannot be supposed, that the expenditure of an office whose average policies exceed 1,000 *l.* can be compared to that of an office whose policies do not exceed 300 *l.*

2930. What would you say roughly ought to be the average expenditure of an old and of a new office; for the new office say one year old, for the other say 20 years?—That is a question to which I have not devoted any particular attention, that is to say, with a view of arriving at what a comparison should be; I am rather dealing with what the comparative statement is.

2931. Of course there is a difference between one office and another; I am anxious to know what you think ought to be the relative per-centage that should be expended by an old and by a new office, say an office under three years old, and an office between 15 and 20?—What the expense of management should be?

2932. What the per-centage should be upon the receipts of the year?—The old business of the old office ought to be managed very cheaply, and the principal part of their expenditure should be with respect to new business. I have no doubt you would find, taking matters as they are now, comparing new business with new business, that probably the old offices expend at least as much as the young offices. Taking them now at their present age, comparing the new business with their actual expenditure, and making a fair deduction for the expenses of conducting the old business, I think the expense of the one is equal to that of the other.

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2933. Mr. *Cowan.*] Is it your opinion, looking to the constitution of life assurance societies for many years, money coming in, and the payment of claims not arising for a great many years after the institution of these companies, that a great temptation is presented to individuals to establish such companies, so as to take them out of the category of all other trading companies whatever?—As regards the establishment of an office without capital, it is really one of the slowest things possible for any one to make any real profit by; for any one who wants to make money it is one of the worst things they can possibly do to start a life assurance office; if they do so, the best thing they can do is to get as much capital paid up as they can; the more capital that is paid up the better for them.

2934. What I mean is this; for a great many years after the establishment of an insurance company the money is coming in to a far greater amount than the outgoings, whether the company be a mutual or a proprietary one; you admit that to be the fact?—Yes.

2935. Does not that very circumstance of itself present a great inducement to individuals to establish companies; having a great deal of ready money in their hands, supposing they do any business at all?—It is only in the event of their getting business that they have any money in their hands; that business is only obtained by considerable exertions; there are hosts of things that present far greater facilities for getting money than life assurance offices.

2936. Do not you think that from the application of the claimants being deferred to a distant day they are in a different position to other trading companies?—Certainly, the fact of the liabilities being deferred instead of immediate is in favour of the parties who start the office; but life assurance is not an article in general demand; it is not an article of necessity; it is not an article which people will apply for themselves to any great extent.

2937. Is there not a very large and a very growing demand for it; a very large area still unoccupied?—No doubt about it, and therefore no obstacles should be thrown in the way of its advancement.

2938. More than one witness has expressed an opinion that in order that a company *primâ facie* should appear to possess a secure position, that a certain amount of the premiums should remain on hand; have you formed any opinion upon that point?—Yes. Applying every test that previous witnesses have suggested to these offices, it appears they are solvent, and more than solvent; it has been stated that 50 per cent. of the premium should be in hand. Now, assuming this table to be correct——

2939. Is that Mr. Christie's table?—It is founded on it, and Mr. Brown stated, to my surprise, that he had checked it with the original returns; how he arrived at the same conclusion with Mr. Christie, after checking it with the returns, I cannot conceive; but assuming it to be correct, the actual amount received for premiums, including sums for the purchase of annuities, is 431,080 *l.*; we will assume it is all insurance premiums, it only makes a very little difference, and only complicates the case to introduce the annuities. Assume that it is all insurance premium, 431,080 *l.*; from 40 to 50 per cent. of that should be in hand, *i. e.*, 215,000 *l.*; the actual fund in hand by this table is 367,000 *l.*

2940. *Chairman.*] Does not that sum include all the paid-up capital?—Yes; but the witnesses say you should have paid-up capital, in order to protect the assured.

2941. Are you not aware that in the observations that were made with regard to that table, they were speaking of profit or loss upon the assurance business; therefore if the capital is infringed upon, it is nevertheless a loss; though the public be guarded by the proprietors' capital, yet nevertheless it is a loss to some one upon the business done?—Yes, but I understood the object of the Legislature was to protect the policy holder, not the shareholder.

2942. No matter what the object of the Legislature be, the result of this account would show a loss upon the business transaction; whether that loss is to be borne by the public or by the proprietors of the company, is the question?—The account is not in such a position as to show a decided loss; you show a certain sum of money has been spent.

2943. Taking the test to which you have adverted, the proportion of the funds in hand and the assets, supposing them to be equal to 50 per cent. on the sum assured, you have not in that account the proportion of the assets, unless you include the proprietors' capital?—No; then the question arises, what expenses

are

are to be paid out of premiums, and what out of capital, because if the capital is not to be touched at all, there is no use for it.

2944. My question was, whether they were carrying on a prosperous business or otherwise?—They have not been in business sufficiently long to enable any one to pronounce a decided opinion upon their state; there is nothing to show that they have not laid the foundation of a business which may bring in a rapid accumulation of income afterwards, merely from the fact of so much money having been expended in doing nobody knows what; no one knows what ramifications and extensions of various offices may have been formed; you are not in a position to judge until you know what each office has done.

2945. Supposing that the expenditure is necessarily greater than in proportion to the amount of business done, until the office had been some time established, would you not conceive at the end of three years, or of any number of years, there ought to be a certain proportion of the premium remaining on hand, in order to indicate that the office is in a sound and satisfactory position?—The larger the sum of premium on hand, of course the better, but so long as there is a sufficient sum on hand to protect the assured, no matter from what source it comes, so long the office is solvent. The proprietors' capital is not the first charge on the business which has to be paid off, whether or no, as some gentlemen seem to assume, but it can only come in after the payment of all claims; the maximum of the liabilities upon the proprietors' capital, is just the amount of the difference between the one side of the account and the other, not the full amount that is paid up.

2946. According to the answer to the last question, you think there ought to be a certain amount of the premium remaining on hand at any given period after the first, second, or third year?—Yes; I am offering no opinion on the actual amount of premium that should be in hand; I am merely taking the test that these gentlemen have applied to the offices; they say an office is not solvent unless they are able to buy up all the policies.

2947. Out of the capital?—Out of the capital and premiums combined. The capital would help it to some extent.

2948. If they did it out of the capital, would that not necesarily show they were *pro tanto* carrying on a losing business?—It would show that up to that time it had not been a profitable business, but it would not prove that it could not be made one.

2949. You have arrived at the conclusion with regard to the offices before you, that capital is at all events a very important item?—It is; but it only enables them to spend it.

2950. It appears from what you say, it is the only thing that enables them to claim the condition of solvency?—Yes; in that point of view it is; but provided they are solvent the policy-holders are not sufferers.

2951. Mr. *Cowan.*] Do you think it desirable for an insurance office to have capital or not?—Desirable with a view of facilitating the obtaining of business, but not on any other ground.

2952. Is it not desirable as a security?—I do not think it is much of a security to the assured.

2953. You think they would not be able to have a better trial in carrying on their business?—I think you ought to leave that to them; you ought not to compel them to have it; if they should have money they will make use of it; you should leave it to offices to call out what capital they please; the tendency would not be to start without capital.

2954. How many years do you conceive to be necessary, after the establishment of a company, before they are in such a position as to have a margin to lay up a portion of the premiums?—I would try to illustrate that point in this way, that an office may expend a considerable sum in starting, and yet not necessarily be insolvent. To do that, I will take ultimate values instead of present ones. An office contracts to pay 100 *l.* on the death of a party insured, but takes good care to charge the party 120 *l.*, or perhaps more; there is, therefore, a margin of 20 *l.* ultimate value to draw upon; the party assured pays on the average about 3 *l.* per year; the 3 *l.* taken as a single premium would amount to about 6 *l.* on the death of the party; supposing one year's premium spent, that would only take 6 *l.* from the margin of 20 *l.*, and the office would still be solvent on the whole transaction. It might be shown to be insolvent in the first year, but upon the whole transaction it would not be so.

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2955. You are assuming the case of an excess of premium, are you not?—An excess of premium is always charged; that which we assume to be 120*l.*, more frequently in practice turns out to be 150*l.*; and therefore, a considerable sum might be spent in the outset without at all damaging the ultimate prospects of the office; it might be true, in the first, or second, or third year, that the amount laid by was not so much as it should be, but that would be rectified in after years.

2956. Mr. *Muntz.*] Has any case come under your knowledge of offices that have begun with a small amount of capital that have ever failed to realise profits?—If they have found it inexpedient to go on, they have found no difficulty in handing over their business to other offices.

2957. *Chairman.*] Do you know of no case where offices have been desirous of disposing of their business, and have been unable to do so?—I never heard of such a case.

2958. You look upon the earlier expenditure as being one of the means of securing ultimate success?—Yes.

2959. The price of the business?—The price of the business. The illustration that I gave just now was with a view of showing that a considerable sum might be expended in the outset without damaging the ultimate security.

2960. A great deal would depend on the skill and prudence with which the expenditure was made, rather than the amount of the expenditure?—I think, in general, offices expend their money very cautiously, not recklessly; they spend it with an object in view, only where it is likely to be productive.

2961. Is there any other point you would wish to suggest to the Committee?—There is one subject to which I should wish to draw the attention of the Committee, on which a great deal has been said, that is with reference to the valuation of the gross premium. One or two of the registered offices have lodged balance-sheets, that is, have lodged statements of their assets and liabilities. They have deposited them at Serjeants' Inn, as supplemental to the statement of receipts and expenditure. I, for one, did it. I may mention, that when our first annual statement came to be made out, I turned to the Act of Parliament, and I found it required a "full and fair balance-sheet." What a full and fair balance-sheet was, I had no authority for, but it seemed to be a very difficult thing to make out, as it involved a valuation of all the policies. I turned to the deed of settlement, and that puzzled me still more. I then took the trouble to go to the Joint Stock Companies Office, for the purpose of examining the accounts of some offices of older standing, to see how they had met the case. I then came back, and prepared our balance-sheet in the best mode I could, in accordance with the letter and spirit of the Act. Accordingly we valued the policies. In the first year there was not time to make so complete a statement as I could wish, and accordingly we took in that case the ultimate values. We took the absolute amount of the sums assured, we took the full sum of all the policies, which of course required no calculation; then, on the other side, we took the amount to which the premiums receivable would accumulate on the death of the parties; in the next year we took the present value of the sums assured, and the present value of the gross premiums; but that valuation was not done with any view to divide profit on it, or to make the office appear better than it was. I merely did it because I thought it was in accordance with the Act of Parliament; merely to show the general state of the office, not the profit actually made up to that moment, but the position of the office with regard both to the past and the future; to give a general idea as to whether the business would yield a profit or not. In the same way as when a tradesman takes stock with the view of finding what profit he has made; that is one view; but if he wants to find out what his prospects for the future are, that is another. In our own case we valued the premiums, not the net premiums but the gross premiums, to give a general idea of the state of the office; but we did not put it down as profit actually realised; we treated it with perfect indifference; we put it at the bottom of the account without comment. I thought the Act of Parliament required such a statement, and there is only my office and one or two others that have thought it necessary to go into the account with this minuteness. But subsequent experience has convinced me that if we do not publish that statement, we sufficiently comply with the Act. I take this opportunity to state candidly, that whether we do lodge a statement of that kind or do not, for this year, will depend entirely on whether I get time to make the valuation.

2962. What is the rate of the valuation?—Three per cent., and I took every item

item into account as much against the office as possible; I made the actual liabilities, independent of policies, much worse than they really were. My object was to get an honest statement of the affairs of the office; but instead of having one's efforts appreciated, one gets roundly abused for doing so.

2963. The two modes of making the valuation would be analogous to this case: suppose a trader at the end of the year computes his position, takes what he calls stock; he ascertains all that he owes, all that is owed to him, and deducts from the result the amount of capital with which he started, and he calls the balance the profit of the year; but the stock which he has sold during that year has been sold at a certain rate above the prime cost, in order to constitute his profit; he has in hand at that moment a very large portion of his assets, a considerable stock of goods unsold; would it be wise in him to compute those goods at the cost price, or at a selling price which he would expect to sell them at in the following year?—The price having advanced, you say?

2964. No, the price remaining the same; he has made his profit upon the past year by adding 10 or 20 per cent. to the cost of his goods; he comes to take his stock, to value his position on the 31st of December; he has a large stock in hand; those goods he has every reason to expect will be sold the following year at the same price as they were sold in the past year, to constitute the profit of the following year; but in taking stock of his actual condition at the moment, in order to ascertain what profit he has made, how he stands, should he compute those goods at the cost price or at the selling price, thereby anticipating the profit of the following year?—If it is to ascertain the profit that he has made up to that time actually, then he should compute the stock in hand at the cost price; if he looks into his affairs with regard to his future prospects, he may take the selling price into account, because he knows he has a probability of selling those goods at a particular price beyond the cost price; but the profit has not been realised.

2965. That would be anticipating the profit of future years, including the expenditure of future years?—No doubt.

2966. Would that be a fair way of estimating his position on the 31st of December, at the time of taking stock?—Not as regards his position up to that moment.

2967. Supposing there were a balance-sheet at that moment which showed him to be worth 25,000 *l.*, that balance-sheet included his profits upon a large stock in hand, which it might require some two or three years to sell out and dispose of, with all the risk of falling markets and the incidents and experience of the trade, would that 25,000*l.* on his balance-sheet represent the true state of his affairs on the 31st of December, when he took his stock?—Not as to his actual profit made up to that time; but as giving a general view of his position, he may take into account the profit he is likely to realise on the goods he has got.

2968. Would he be justified in saying that he was a man worth 25,000*l.*?—No, that has not been done by any of the companies. They have not gone the length of saying they are worth 25,000*l.*; but they have obtained such a business as will, provided it is all carried out to maturity, yield a profit that is represented in the present valuation by 25,000*l.*, or whatever it may be.

2969. But if an office states its valuation of business at a particular moment, and acts on that valuation, divides the profits or reduces the premiums, or adds to the sums assured, and gives bonuses, would not that be a fraudulent mode of stating their account,—fraudulent to themselves,—or an erroneous mode?—I do not think it is acted upon.

2970. You do not believe such bonuses are ever divided?—No; at all events they would not be divided to that extent. I think, in all the offices the object is to find out the actual profit that has been realised, not what may be realised, and to divide accordingly.

2971. A statement of actual profit that has been realised does not include future profits?—Certainly not; but there is a difference between a valuation on which you divide profits, and a valuation for the purpose of giving a general idea of the prospects of the office; of how you stand.

2972. What you mean is, that the object in making that statement would only be to show the probable profits of future years?—Quite so; we have not put it forward as anything else. I should not have done it at all, but I fancied the Act of Parliament required something of the kind.

Lunæ, 27° die Junii, 1853.

MEMBERS PRESENT.

Mr. Freshfield.	Mr. Sotheron.
Mr. Mullings.	Mr. J. Ball.
Mr. Wilson.	Mr. Chambers.
Mr. Cowan.	Mr. Geach.

JAMES WILSON, Esq., IN THE CHAIR.

Mr. *William Slater Dixon Pateman*, called in; and Examined.

Mr. *W. S. D. Pateman.*

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2973. *Chairman.*] HAVE you paid any attention to the working of the Act of 1844, under which assurance offices are regulated?—Yes, I have, more particularly to the mode in which offices have been got up; what may be called fraudulent offices.

2974. Has that Act worked satisfactorily for the purpose of checking the establishment of inferior or bad offices?—My impression is, that it has had the contrary effect; that it has been the cause of all the bad offices being projected.

2975. In what way has it been the cause?—Because I think it has been the means of facilitating the getting up of fraudulent assurance companies; it enables them to write up "Empowered by Act of Parliament," though they are only registered under the Joint Stock Act.

2976. You mean, it gives a certain prestige in their favour?—Yes; I can give some instances in which the public have been sufferers, of companies got up in that way under the Act. The first is the "Merchant Traders' Ship, Loan, and Insurance Association, registered according to Act of Parliament," capital one million, in 20,000 shares of 50 *l.* each, projected in 1845 by Mr. Augustus Collingridge.

2977. Was any part of the capital paid up?—The deposit was 5 *s.* per share on allotment, and the remainder on the execution of the deed of settlement, no shareholder to be liable beyond the amount of his subscription. The chairman was the Right honourable Viscount Ingestrie (now Earl Talbot), George Moffatt, M.P. for Dartmouth; William Harrison, Esq., Commodore of the Royal Thames Yacht Club, Sunbury, Middlesex; Captain Samuel Price, R N., Senior United Service Club; Robert Wright Wood, Esq., Lodge-place, St. John's-wood; Augustus Collingridge, Esq., Regent's-street, Pall-mall; Bentham Fabian, Esq., Powell Villa, Putney; John Newnam Burnand, Esq., Regent-street; Edward Davy Esq., Crediton, Devon, and 107, Jermyn-street, St. James's; Secretary, William Wood, Esq. The promoters were, Augustus Collingridge, who afterwards appeared as the getter up of several other companies; Captain Samuel Price, who has been outlawed; Benjamin Fabian, who has been transported, and John Newnam Burnand, who will be found to have been connected with a number of other companies. The rest I believe to have been the victims of these persons, or principally of Collingridge, who was the prime mover in it.

2978. What became of the company?—The company went on for some time doing a large amount of business on marine insurance, when Collingridge and Burnard quitted the concern to start another company, entitled "the General Commission, Ship, Loan, Insurance Company," which was registered on the 13th June 1846. Shortly after the claims came in very fast, and the Merchant Traders Company was brought under the Bankruptcy Act. The debts amounted to 60,000 *l.*, of which about 54,000 *l.* have been proved, and to meet these debts, there were only assets to the amount of 8,000 *l.* The case was closed in bankruptcy, after every body had been sued; and the official assignee, in making his report, stated that there was still a very large sum to pay. The company was ultimately

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ultimately brought under the Winding-up Act, with claims against it to the extent of 80,000 *l.* In the Court of Chancery it was found that there were only two responsible shareholders left, viz. Lord Talbot and Mr. Winthrop, a director of the Professional Assurance Company. Sir William Horne, when about to make this enormous call, remarked, that "He could not, at the same time, help expressing great regret at the facility which the registration of Joint Stock Companies' Act gave to the projectors of speculative and disastrous undertakings to involve others in these frightful liabilities;" and Mr. Roxburgh observed, "That the consequences resulting from the Registration Act entitled it to be struck out of the statutes at large."

2979. Was that a proprietary company or a mutual company?—It was a proprietary company; Mr. Winthrop had already paid 25,000 *l.* in the Court of Bankruptcy, as his share of the liability.

2980. Mr. *Cowan.*] Have the public or individuals suffered in consequence?—There are claims on the part of the public on marine insurances, to the extent of 80,000 *l.*, still unpaid.

2981. Mr. *Mullings.*] Are those claims on insurances, or claims by third parties?—They are principally on insurances.

2982. Are there any claims on life policies?—No, the company only transacted marine insurance business.

2983. Mr. *Cowan.*] Will 80,000 *l.* extinguish all the liabilities of the company?—That is the call made by the Master, and I suppose it will cover the liabilities.

2984. *Chairman.*] Are these shareholders liable, to the whole extent of their property?—I suppose so, from the nature of the case.

2985. They had executed the deed of settlement?—They had executed the deed; some fictitious names appeared on the deed; I believe that several gentlemen, whose names appear in the prospectus, never executed the deed, their names having been used without their authority. Just before the sheriffs' officers under the fiat took possession of that company's premises, Augustus Collingridge and J. N. Burnand started the

GENERAL COMMISSION, SHIP LOAN, AND INSURANCE COMPANY.

Incorporated, A.D. 1847.

OFFICE, 71, Cornhill, London.

DIRECTORS.

Captain Baker, R.N.	Captain Mallard, R.N.
John Newman Burnand, Esq.	John William Morris, Esq.
John Edwards, Esq.	Thomas William Prescott, Esq.
Joseph Judge Hays, Esq.	Henry E. Rice, Esq.
Major Johnston, H.M.S.	Captain Tomlin, R.N.

The basis on which this company is formed, is that of combining under one head the commission, loan, insurance, and consignment business as relates to shipping.

Marine policies of every description of risk, not exceeding 300 *l.* on the hull, or 500 *l.* on freight or cargo, of any single ship will be granted, but arrangements have been made with the numerous assurance offices in London, as well as with Lloyd's, to effect insurances to any amount.

J. N. BURNAND, Esq., Managing Director.

This company was similar to the last in every respect; the whole of the names to the deed of settlement were paid for at so much a head, and the board of directors consisted of one person; viz., J. N. Burnand. This company is at present winding-up before Sir W. Horne in the Court of Chancery, under the Winding-up Act, with claims against it to the amount of 25,000 *l.* Before this company closed, Mr. Collingridge had parted from Mr. Burnand, and started, "The Port of London and Shipowners' Loan and Assurance Company."

Mr. *W. S. D. Pateman.*

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PORT OF LONDON SHIPOWNERS' LOAN AND ASSURANCE COMPANY.

Capital empowered to be raised,—250,000 *l.*

Founded 1846.—Incorporated 1847.

Offices,—20, St. Helen's Place, London.

EMPOWERED by Act of Parliament, under the provisions of which, the liabilities of subscribers are restricted to the amount of their respective individual subscriptions, while, for the effectual protection of the assured, the amount of risks entertained by the company in and upon individual vessels and their cargoes, is limited in rateable proportion to the clear capital in hand, according to a graduated scale, constructed with the greatest care.

DIRECTORS:

Captain Blair, H.E.I.C.S., Great Ormond-street.
Richard Jewesson, Esq., 28, Great Winchester-street.
Bolton Lennox Peel, Esq., Windham Club.
Captain Reginald Graham Peel, H.M.S.
Frederick Peel, Esq., Dosthill Lodge, Fazeley, Warwickshire.
Walter Powell, Esq., St. Martin's-place.

*** *The number of directors to be increased to Ten at the General Meeting, to be held on Thursday, May 27th,* 1847.

OFFICERS:

Augustus Collingridge—*Registered Officer.*

Bolton Lennox Peel—*Treasurer.*

Underwriter—William Lance.

Bankers—Messrs. Currie and Co., 29, Cornhill.

Auditors—Edwin Howell; William Drummond Whaley.

Offices—20, St. Helen's-place, London.

2986. What became of that company?—They were a very short time in existence, and they also are at present closing, before the Master Tinney, in the Court of Chancery under the Winding-up Act, with claims against them to the amount of 120,000 *l.*

2987. Was that a life office?—Life, fire, and marine; they had powers by their deed of settlement to transact business in those three branches, but they confined themselves to marine assurances.

2988. Did that company come under the Act of 1844?—Yes, they were completely registered under the Act of 1844, on the 22d of April 1847.

2989. Were the shareholders of that company responsible persons?—I took the list of shareholders, and made inquiry as to whether they had executed the deed or not. At Gravesend, I found a very large number had been paid a shilling and a pot of beer to sign the deed, and at Westminster, a number signed under similar circumstances. One man volunteered a statement before Sir William Horne, Master in Chancery, that they gave him brandy-and-water upon Windmill Hill, and he wrote 20 or 30 names of persons to powers of attorney, which enabled Collingridge to execute the deed in their name. With the exception of about half a dozen, the names were put to the deed in that way, and so the parties were made contributors, unless they applied before the Master, and succeeded in having their names struck out.

2990. Was that in order to get the number of shareholders required by the Act?—It was; the Master could not obtain the books which were taken from the company's offices by the solicitor, until a lien he had upon them to the extent of 5,000 *l.* was satisfied; about this time Mr. Augustus Collingridge (who was the projector of these offices, and several others I shall mention) was one of the treasurers, Jackson Barwise being the other, of "The Racing Subscription Betting Office," 301, Strand; they proposed to give prizes of 10,000 *l.* and 30,000 *l.*; shortly afterwards Collingridge started a company called the "Great Western Fisheries, incorporated by Act of Parliament," but this was not an insurance company.

2991. Are the facts you are stating derived from examinations which have taken place before the Master, or from other sources of information?—I derived them

them from the examinations which have taken place before the Master, and from personally seeing persons who have been mentioned, in connexion with each company. With regard to the calls made upon the shareholders, I derived the information from the published documents and from the official managers.

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2992. You derived your information from the officers who had charge of the winding up, under the Act?—Yes; but in many instances, I believe, the claims against the companies do not appear to the full extent, because they arise in Ireland and Scotland, and, being marine claims, the parties will not go to the expense of prosecuting them. They also fear, if the Court do not succeed in obtaining sufficient funds from the shareholders, to satisfy all the claims, they will be liable to pay a portion of the expense of the winding up. In Glasgow, for instance, I believe, there are claims on marine assurances, to the extent of 20,000 *l.* against these companies. About the end of 1849 the claims came in very rapidly upon the Port of London Company, and they were found to be in great difficulties, and a number of actions were commenced against them for the recovery of claims. Mr. Collingridge took very extensive premises in Cornhill, and called the claimants on the Port of London Company together, and confessed to them that he had no funds. It is reported that he said, "Gentlemen, this is a very bad business, but I am about to bring out a new company, entitled, 'The Sea, Fire, Life Assurance Society,' with which the Peel family will be connected, as well as Mr. Howel Gwyn, M.P. for Penrhyn, and other gentlemen of high standing; if you will give us time, this new company will accept a transfer of the business of the Port of London Company, and they will give you bills for the payment of your claims." Many of the claimants took the bills so offered, and on arriving at maturity they were dishonoured, and proceedings in a great many instances were commenced against the company, when it was found that the bills were dated a day prior to the complete registration of the company, and consequently they could not be recovered upon.

2993. Who accepted those bills?—They were accepted by Augustus Collingridge, the managing director, on behalf of the company, under a power in one of the clauses of the deed of settlement.

2994. Do you mean to say that the company to which you are referring now, was started by the persons you have named after the failure of former companies, in which their names appeared, had become notorious?—Yes, it was started after the failure of the others had become notorious.

2995. In looking at the list of directors in the prospectus of that company, which you have before you, are there many persons whose names would be considered a recommendation with the public?—Yes, there are the names of gentlemen upon this prospectus, whom I believe to be highly respectable.

2996. Have you any reason to believe that those gentlemen had been consulted; that they were *bonâ fide* consenting parties, or do you believe that in some instances, at least, their names were used without their consent?—I believe, with the exception of three, the names of those gentlemen were used without their knowledge or consent. The only persons who, I believe, ever attended what was called the Board, were Augustus Collingridge, Alexander Davis, and one other director (Sir William Ogilvie) who appears to have received 10 *s.* for his attendance on board days. Mr. Howel Gwyn, the nominal chairman, never attended at any one meeting.

2997. Will you hand in the prospectus?—(*The same is delivered in.*) *Vide* Appendix.

2998. Then, in fact, as far your information goes, you think that a great number of the names were altogether fictitious?—They were.

2999. Have you seen the list of shareholders?—Yes, I have the deed of settlement, as returned to the Registrar, before me, with a list of the persons who have executed it. I find that Sir William Ogilvie signs as holding 50 shares; Alexander Davis, the brother-in-law of Mr. Collingridge, 50; Augustus Collingridge, 500; Edmund Clench, a clerk of the company, 50; Jackson Barwise, who had just before passed through the Insolvent Debtors' Court, as partner with Mr. Collingridge in the Prince of Wales' gambling-house, 500; John Hooper, also a clerk of the company, 500; Alfred Burt, the actuary, the founder of the "Mining and General Mutual Company," 500; T. F. Ashford, the accountant, 10; John Nelson, superintendent of the Fire Department, 350; A. L. Whittey, one of the company's agents, 1,000; Charles Smith, keeping a little shop in Whitecross-street, 1,000; he informed me he had been induced to sign for the shares by Mr. Clench; S. H. Ranger, auditor, 1,000; John Wilson, of Jamefield, Roxburgh, 2,000. This gentleman I could not find, but I found him afterwards passing

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through the Insolvent Debtors' Court as connected with the Prince of Wales's Club; and further, that he had accepted bills for Mr. Collingridge for the purpose of starting this company; Thomas Towsey, bank proprietor, of Burton-upon-Trent, holding 20,000 shares, I could not find at all; H. P. Gervan, gentleman, 5, Mount-row, New Kent-road, 5,000; I could not find him at all; George Moody Longmore, who paid 600*l.* for the appointment of surveyor to the company, 400; Howel Gwyn, Esq., 50; J. F. Goude, surgeon to the society, 100; this gentleman informed me he was induced to take these shares while professionally attending Mr. Wilson, the printer and stationer to the company; George Wilson, Upper Tulse-hill, 5; this gentleman I wrote to, but received no answer. This list, I think, will make up the number required by the Act of Parliament or the complete registration of the company.

3000. Did all these parties sign the deed of settlement?—All these parties signed the deed.

3001. Until they signed the deed of settlement they were not personally liable?—No. Just about this time they printed 20,000 copies of names, said to be "A List of Shareholders of the Sea, Fire, Life Assurance Company." This book contains the prospectus, the names of the directors, and 300 names, but does not give their residences; it is headed "A List of Shareholders returned to the Registration Office as having executed the Deed of Settlement of the Company, pursuant to the provisions of the 7 & 8 Vict. c. 110;" and a note at the foot of the front page states, "On the payment of the sum of 1*s.* this list may be compared with the return at the Registration Office." I paid 1*s.*, and compared this list with the list of shareholders of the Sea, Fire, and Life Company, and out of the whole 300 I found only two of the names, viz., Collingridge and Barwise. They sent Clench and other agents into different parts of the country to dispose of shares on the faith of this list of names. About this time, also, Mr. Collingridge addressed the following letter to Mr. George Mountcastle, 10, Bedford-court, Covent-garden:—

Sea, Fire, Life Assurance Office, 31, Cornhill,
London, 20 December 1849.

Sir,

Having understood that the Independent Assurance Company, of which you were agent, have declined to accept business, I beg to offer you the agency for this society for the district of Covent-garden. This society has been established about three years, and has issued, up to the present date, 9,000 policies, yielding a gross return of 70,000*l.*, which together with the large subscribed capital, gives unquestionable security to the assured. I beg to enclose a prospectus, and direct your particular attention to the many novel and valuable features peculiar to this society. Waiting the favour of your reply, I remain, sir, your obedient servant,

Augustus Collingridge,
Managing Director.

Mr. George Mountcastle,
10, Bedford-court, Covent-garden.

The envelope of this letter bears the office seal, and the post-mark of Cornhill; and it was thought at the time to be a trick, stating, as it does, that it had been three years in existence, when it was only completely registered on the 8th of October 1849, two months prior to the date of this letter.

3002. Have you any evidence that that was a genuine letter?—Yes; after the breaking up of the company I found upon the premises, I should think, about 50,000 copies of a circular, bearing the following heading: "This Corporation has issued, up to December 1849, 9,000 policies, approximating a gross return of 70,000*l.*; Sea, Fire, Life Assurance Society, capital, 100,000*l.* All life policies indisputable, and free of stamp duty to the assured."

3003. Corresponding therefore with the letter?—Yes; corresponding with that extraordinary letter. A series of articles, exposing the practices of fraudulent assurance companies, having appeared in a magazine of which I am publisher, called the "Post Magazine," an action both by civil and criminal process was brought by Collingridge against Mr. John Hooper Hartnoll, the proprietor, and myself; and after the proceedings had gone on for some time, Mr. E. Clench offered to give evidence in our favour, and prove that he had sold 1,000 shares in this company in the country, if the "Post Magazine" would abstain from noticing a company he himself was about to bring out in connexion with Mr. Alfred Burt and Mr. John Warden Sprague, one of the auditors of this company. I should state that these parties went through the farce of holding an annual meeting, and publishing a report, a copy of which is now before me. They state—

"That the amount of business has been beyond the most sanguine expectations of the directors, having issued from the date of complete registration (October 1849)

to

to the end of December 1849, 956 marine policies, assuring the sum of 216,879*l.*, and producing in premiums the sum of 5,281*l.* 19*s.* 1*d.*, and the amount of claims paid during this period is 2,115*l.* 3*s.* 3*d.*, leaving a difference at the end of December 1849, of 3,166*l.* 15*s.* 10*d.*, which result shows a steady increase of business, and is of an encouraging character, and most satisfactory.

"The Fire Department is scarcely yet in operation, the directors having, in the exercise of their discretion, deemed it expedient to confine the business of the Fire Department to limited risks.

"Although a period of less than two months has elapsed since the actual commencement of the Life Department, the directors are gratified to be enabled to announce that a degree of success has attended the society which promises well for its ultimate stability and success.

"Total amount of business transacted from the date of issuing the first policy, on the 1st January 1850, to the present time, a term of only seven weeks.

"Proposals made to the Society - - - - - -			100
"Proposals accepted, each policy average 195*l.* - - -			68
Twenty-two of which have been delivered.			
"Proposals incomplete and under consideration, average 222*l.* - - - - - - - - - - -			26
"Proposals declined, average 550*l.* - - - - -			6
"Gross sum assured under the 68 policies, 13,296*l.*, producing an annual income of - - - - - -	£. 401	*s.* 12	*d.* 10
"Proposals awaiting completion, assuring the sum of 5,793*l.*, and producing an income of - - - - - -	189	9	2
"Total Annual Income - - - £.	591	2	–"

This report was extensively advertised, as coming from a large and influential meeting. I went to Cornhill, and counted the number of persons who entered the office on that occasion; they amounted to seven. Mr. Richardson, Mr. Howell Gwyn's agent, informed me that the meeting consisted of Mr. Collingridge, Mr. Alexander Davis, Mr. A. Burt, Mr. William Wilson, and three clerks, and that no meeting was held.

3004. Do you think many shares in that company were actually sold?—I think so, from the increased number of shareholders that I found returned to the registrar.

3005. What do you suppose was the inducement with persons to buy those shares?—I believe a great many of the shares were sold by parties who were induced to dispose of them for the sake of the commission, which was very large, as the following letter will prove. This is addressed by Alfred Burt to James Richardson, Esq., Neath.

(Private and Confidential.) "Sea, Fire, Life Assurance Office, 31, Cornhill,
"Dear Sir, "London, 18 July 1849.

"SINCE your departure from London, I have considered of the most probable means of rasing the required capital, and being fully aware that it cannot be accomplished without a sacrifice of a portion of that capital, I have come to the conclusion that the way to do this would be to dispose of the shares by contract, which, if you can carry out, will afford you a handsome remuneration, and be to your interest to devote your time to the transaction. I am prepared, therefore, to offer you the contract for the disposal of 20,000 shares at 15,000*l.*, which would realise 20,000*l.*, consequently you would net a bonus of 5,000*l.* by the transaction; this amount to include all travelling expenses, commission, and every charge attendant on the disposal of the shares. This payment would not have reference to your commission (as agent) on the life and fire premiums, on all policies introduced by you, which you would receive in addition on the shares. I shall be glad to learn your views upon the proposition offered for your consideration. Referring you to my communication addressed to you by this post, I remain, dear sir, very truly yours, "*Alfred Burt.*"

3006. What is the date of that letter?—July 18th, 1849.

3007. What is the date of the registration of the shareholders?—A great many were registered in August.

3008. Immediately after that letter?—Immediately after, so that the supposition arises that a number of shares were sold in consequence of that letter; I find a good many new shareholders registered at that time in Neath, Cardiff, and other places in that neighbourhood.

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3009. What inducement would an agent have to hold out to private persons to buy those shares; would it be in expectation of a large profit?—It could only be that they promised to pay 5 per cent., and the prospect of the shares becoming of great value, similar to those of the old assurance offices; I believe that many persons who became agents of the society also became shareholders without their knowledge, having ignorantly filled up a power of attorney, authorising Collingridge to execute the deed of settlement on their behalf, the power of attorney being mixed up with the form of application for agency.

3010. Do you suppose that the persons who became shareholders of this company knew what had happened with regard to the former companies?—I should think not; I called the attention of the Registrar-general to the subject of the false list of directors, and that some of them did not hold even one share in the capital stock of the company, and he told me the Act was so defective that it would be impossible to obtain a conviction under it.

3011. Was the business of that company confined to marine assurances?—It was principally; I never heard of their issuing a fire policy; they say here they have received 591*l.* in life premiums.

3012. They must have got the marine assurance business either in London or in the other ports?—I believe a great deal of it came from the out-ports, particularly in Ireland and Scotland. It probably arose from the fact that there are no offices in the country which take small marine risks; the marine offices in London having no agencies in the out-ports. I have a statement here by an agent, of premiums collected for the Sea, Fire, Life Assurance Company, for risks taken between the 30th November 1849 and the 13th of December following, from which it appears that there were 27 policies issued, producing premiums amounting to 40*l.* 11*s.* 8*d.*

3013. Mr. *Cowan.*] I see they state in their prospectus, that they are admitted to Lloyd's by vote of the Committee, January 15th, 1848; is that the fact?—No, it is not the fact.

3014. How did you get possession of that account?—From the books of the agent.

3015. *Chairman.*] How did you get possession of that letter which you read just now, to Mr. J. Richardson, which is marked "private and confidential?"—From Mr. Richardson himself.

3016. He gave it to you himself?—Yes.

3017. Was he a dupe of these persons?—Yes, I believe both Mr. Howel Gwyn and Mr. Richardson were; they have taken every means in their power to close the company under the Winding-up Act.

3018. Your impression is, that there were only one or two parties to this fraud, and that all the rest were dupes?—Yes, Collingridge and Davis were the prime movers in the fraud, the rest were dupes.

3019. What became of these parties after the company was broken up?—Collingridge went to Ireland, and afterwards abroad.

3020. Has there been much loss occasioned to the public or to the shareholders?—The company is at present winding up in the Court of Chancery, and the master has made the first call on the shareholders to meet the liabilities, which call amounts to 120,000*l.*

3021. That is on those who executed the deed of settlement?—Yes.

3022. Are they all liable in the eye of the law?—There is no doubt of it.

3023. To the whole extent of their property?—Yes.

3024. And do you suppose that men would incur those liabilities on such representations as would be made by the parties who were starting the company, or on the mere chance of obtaining the profit they were likely to obtain from the legitimate business of marine insurance?—The prospectus stated that the shares were 1*l.* per share, paid in full, and the liability of each shareholder would be limited to the amount of his share.

3025. Do you suppose that most of these shareholders had been obtained through the representations of agents employed, who probably were not aware of the frauds with which they were connecting themselves, who were *bonâ fide* in their objects, and respectable in the various positions they held?—I think that Mr. E. Clench must have been aware that the company was not conducted upon honest principles, he himself having read most of the charges brought against this and the previous companies by the "Post Magazine."

3026. Mr. *Mullings.*] Did you ascertain from Mr. Richardson the means that were used to induce him to have anything to do with the company?—Mr. Richardson

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Richardson informed me that Mr. Alfred Burt, who was the projector and first manager of the Mutual Mining Company at Charing Cross, learning that he was deeply interested in the welfare of persons connected with the mining interest, applied to him to introduce that company into Wales; shortly afterwards the Mutual Mining Company paid Mr. Burt a sum of money, and dismissed him. He then carried his mining scheme over to Mr. Collingridge, and joined the Sea, Fire, Life Assurance Society; and wrote to Mr. Richardson, stating that the Mutual Mining Company had ceased to exist, and suggested that Mr. Richardson should bring his interest to bear upon a much better company, viz., the Sea, Fire, Life Assurance Society.

3027. *Chairman.*] That terminated the career of those persons?—Yes, that terminated their career. The office was shut up in June 1850; a great many actions were brought against the company upon their own credit notes; 10 solicitors, viz.: Bridge & Co., 71, King William-street; Bischoff and Cox, 19, Coleman-street; Cox & Stone, Poultry; Dawes & Son, Angel-court, Throgmorton-street; Jones, Size-lane; Lowless & Nelson, Hatton-court, Threadneedle-street; Marsh, Thomas & Holland; Maples, Pearse & Co., Frederick-place, Old Jewry; Phillips & Co. Lawrence Pountney-lane; Redpath, Leeks, Dixon & Co., St. Swithin's-lane, had actions pending against them at one time; and Messrs. Lowless & Nelson having obtained a judgment against them upon one of their credit notes, given for the payment of a 500 *l.* policy, sheriff's officers took possession of the premises, and the effects were sold by auction on the 8th May 1850.

3028. You have now given us four instances of fraudulent companies; are there any other cases of the same nature in which you think parties have been enabled to commit frauds through the medium of the Act of 1844?—I think there are seven or eight more. The next in point of date is the

LONDON MARINE BROKERS' SOCIETY.

Incorporated by Act of Parliament.

Capital, ONE MILLION, Pursuant to the Deed of Settlement.

Offices, 2, Royal Exchange Buildings, London.

DIRECTORS.

Captain Hamilton, R. N.	William M'Dermott, Esq.
Captain Kennicott, R. N.	John M. Nolan, Esq.
Captain Kortwright, R. N.	John Hamilton Porter, Esq.
John Mockler, Esq.	Christopher Rigg, Esq., M. D.

COMMITTEE OF MANAGEMENT.

Captain Kennicott, R. N., Chairman.

Captain Hamilton, R. N.	John Hamilton Porter, Esq.
William M'Dermott, Esq.	Christopher Rigg, M. D.

AUDITORS.

Joseph Broughton, Esq.	William Mann, Esq.

SECRETARY.	UNDERWRITERS.
Mr. John Truby.	Messrs. Burnand & Co.

BANKERS.
Royal British Bank.

This Company professes to issue indisputable land and sea life policies, and to transact the business of a fire, marine, and guarantee society.

3029. Who were the directors of that company?—There were eight directors, three of whom have recently passed through the Insolvent Debtors' Court; one was a captain in the royal navy, who had never authorised his name to be used.

3030. Did they succeed in obtaining any shareholders?—Yes; I found 40 shareholders. John N. Burnand held 10 shares; Joseph Williams, a coffee broker, 50 shares; he told me that he had never heard of the company, and knew nothing about any shares: Richard Hopkins, a liquor merchant, 34, Hampstead-road,

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road, 30 shares; I was informed by the landlady of No. 34, that she had occupied the house 19 years, and that no such person as Richard Hopkins had ever lived there: Robert Richardson, of 12, Oxford-market, 20 shares; I inquired at No. 12, and every house in the market, but could not find him: William Joyce, plumber, Howland-street, 30 shares; the occupier of the house never heard of such a person: Henry Somerset, printer, 7, Brook-street, New-road, 10 shares; the landlady of No. 7 had never heard of such a man, and bundled me out of the house: Edward Jackson, saddler, of 32, Frederick-place, Hampstead-road, 10 shares; he never resided there: Henry Bladen Savory, accountant, of 26, Hunter-street, Brunswick-street, 50 shares; I found his wife was a charwoman at the house, and that Savory was a porter at the offices of the company: Robert Charles Smith, stationer, of Holborn-place, Peckham, 50 shares; he could not be found at all: Joseph Bagent, confectioner, 97, St. George's-road, 50 shares; he knew Williams, but had never signed his name for shares, and he gave a very good reason, viz., that he could only make his mark: George Williams, Market-place, Greenwich, 30 shares; he kept a fish-stall, and had been employed to get names to the powers of attorney: William Mebbrey, 6, East-street, Greenwich, 20 shares; he had signed for shares because a good many others did so: Richard Bishop; he signed, as well as a great many others, for a pot of beer.

3031. The result of your examination was, that you found that none of the persons had signed with the *boná fide* object and intention of being concerned in an assurance office?—It was evident that none signed with that object; the great majority were of a very low class.

3032. In fact, they were fictitious or fraudulent signatures for the purpose of the registration?—There can be no doubt of it.

3033. What became of that company?—I called the attention of the Registrar-general to this company, stating what I had discovered, and pointing out to him that two of the directors had not complied with the Act of Parliament, by holding "at least one share in the capital stock of the company." He replied that he could not become an informer. I then applied at the Mansion-house for a summons, but I did not succeed in obtaining one; the Lord Mayor told me that he had no authority under the Act of Parliament. Mr. M'Dermott, one of the directors, finding the situation he was placed in by being connected with the company, one likely to be injurious to him as holding a Government appointment, seized the deed of settlement of the company, and deposited it with his solicitor, who commenced proceedings against Mr. Burnand, and the company was brought to a close.

3034. Are you aware whether any business was done?—There were premiums received to a small amount.

3035. Only to a small amount?—No; they had no sooner issued their prospectus than I began to make inquiries respecting them for the "Post Magazine."

3036. How long ago was that?—That was in 1850.

3037. Mr. *Mullings.*] What is the state of that company now; is it winding up?—I have never heard anything more of that company; I have recently learned that Mr. Burnand was projecting another company.

3038. *Chairman.*] There is an end of it?—Yes, there is an end of it.

3039. And all the persons who have claims have lost their money?—Yes.

3040. Mr. *Chambers.*] Do you know of anybody having made a claim which has not been paid?—I have here a number of letters from persons who state that they have claims against the company which have not been paid. It has not been brought under the Winding-up Act.

3041. The three or four offices you have been speaking of were?—Yes.

3042. Mr. *Mullings.*] Before the Joint Stock Companies Act of 1844, might not a body of persons commit frauds by getting up offices, or do you think that the Act of 1844 has afforded greater facilities for it?—I think that fraudulent offices might have been got up before the passing of the Act; but the Act of 1844 has, I think, been the means of rendering it more easy, by giving them a position.

3043. Might they not have got up offices of that description wholly irrespective of the Act, supposing a body of persons to associate themselves for the purpose?—Yes, they might have been got up; but the Act of 1844 gives them an appearance of greater respectability, and consequently a greater chance of imposing on the public.

3044. Mr. *Cowan.*] Have you not heard of the Independent West Middlesex Company, some years before the Joint Stock Act?—Yes, I have heard of it.

3045. Are you familiar with the details of that case?—Yes.

3046. *Chairman.*]

Mr. *W. S. D. Pateman.*

27 June 1853.

3046. *Chairman.*] Have you any other instances?—I have some instances here of companies who have issued policies without having been registered at all. The first arises out of a company that was founded in fraud; it was projected by Richard Wilsdon Morris, the projector of the Medical, Legal, and General Company, who was tried at the Old Bailey, at the August sessions of 1848, for forgery, and was sentenced to be transported for 10 years, but was, unfortunately for the public, set at large at the end of 12 months' imprisonment. This person, under the name of G. R. Herbert Denison, registered a company on the 9th of July 1851, entitled "The Reciprocal Life Assurance Company," Great Coram-street, Russell-square, of which I have here the prospectus.

[*The same was handed in, as follows:*]

RECIPROCAL LIFE ASSURANCE COMPANY, 32, Great Coram-street, Russell-square.

Incorporated by Act of Parliament, 7 & 8 Victoria, cap. 110.

Capital, 100,000*l.*, in 20,000 Shares of 5*l.* each. Deposit, 10*s.* per Share.

One-tenth of the Profits of the Company will form a Fund for the Relief of Aged and Distressed Shareholders and Members, their Widows and Orphans.

TRUSTEES.

F. A. Knight, Esq. | J. Moseley, Esq., B.C.L.
R. Marshall, Esq., M.A. | Rev. C. Owen, M.A.
Frederick C. Skey, Esq., F.R.S.

DIRECTORS.

T. Atkinson, Esq., M.A., Corpus Christi College, Cambridge.
Charles P. Best, Esq., Brighton.
G. R. H. Denison, Esq., Great Coram-street.
T. Gilbert, Esq., Lower Holloway.
R. Marshall, Esq., M.A., St. John's Wood Park.
J. Murray, Esq., Great Bedford-street, Bedford-row.
Rev. C. Owen, M.A., Oxford.

AUDITORS.

F. N. Greene, Esq., late H. E. I. C. S., Bernard-street, Russell-square.
Chas. F. Pollard, Esq., Brompton-crescent.
R. Thomas Smith, Esq., Compton-road, Canonbury-park.

PHYSICIAN.

C. J. B. Aldis, Esq., M.D., F.R.C.P., Chester-terrace, Chester-square.

SURGEONS.

J. Chambers, Esq., Hackney. | E. E. Hooper Esq., Dalston.
J. E. Mathew, Esq., West Hackney.

BANKERS.

London and County Bank, Lombard-street.

SOLICITOR.

J. W. P. Scott, Esq., Great James-street, Bedford-row.

ARCHITECTS AND SURVEYORS.

George Legg, Esq., 12, Queen-square, Bloomsbury.
A. Moseley, Esq., F.I.B.A., D.S., Fulham, Lecturer at King's-college, 53, Great Ormond-street.

ACTUARY AND RESIDENT DIRECTOR.

G. R. H. Denison, Esq.

This company is established for the purpose of bringing the benefits of life assurance within the reach of all classes, and with this view its details have been most carefully considered, so as to afford every facility and advantage consistent with safety. Three-fifths of the profits will be apportioned yearly among those members who have paid five annual premiums.

The business of the company embraces assurances, annuities, and endowments of every kind; also, annuities payable during sickness, assurances of leaseholds, copyholds, and other terminable interests; and guarantee assurances for the fidelity of persons in places of trust.

SPECIAL ADVANTAGES TO ASSURERS.

Policies will be granted for any sum as low as 5*l.*
No policy stamp, entrance fee, or other charge, except the premium.
Policies indisputable, except in cases of cases of actual fraud.
Diseased and declined lives assured at equitable and moderate rates.
Premiums may be paid quarterly or monthly, if desired.
Half the premium, for the first seven years, may remain unpaid.

Mr. *W. S. D. Pateman.*

27 June 1853.

ADVANTAGES TO SHAREHOLDERS.

The deposit is 10*s.* per share, and interest thereon, at the rate of 5 per cent. per annum, will be paid half-yearly.

One-fifth of the profits will, at every division, be apportioned to the shareholders, in return for the guarantee and security afforded by them to the persons assured in the company.

One-tenth of the profits will be appropriated to the share redemption fund; and as soon as such fund shall amount to double the sum actually paid up, the shareholders will be paid off, thus receiving back their own capital with a bonus of 100 *l.* per cent., and from this date the company will become strictly mutual, the whole of the property and interest therein belonging exclusively to the assured.

Applications for the remaining shares may he made to the actuary.

The premiums for any kind of assurance not stated herein, the rate of annuities, together with prospectuses, forms of proposal, and every information and assistance, will be readily supplied on application at the company's office, or at Limerick. Agent, Mr. Bassett, 2, Rutland-street.

A liberal commission to all parties bringing business. Medical men paid for every case referred to them.

On inquiring as to the directors of this company, I found that Mr. Atkinson had been an usher in a school; Charles Best, Esq., Brighton, was not to be found; Mr. Denison, the managing director, was the before-named R. W. Morris; T. Gilbert is said to be the father-in-law of Morris; R. Marshall, Esq., St. John's-wood Park, could not be found; and J. Murray, Esq., of Bedford-row, did not reside there; the Reverend C. Owen, of Burton Magna, Dorsetshire, was not known at Long Burton, nor in the county. This company have issued a large number of life policies; I produce four of these policies, one for 499 *l.*, and the others for 100 *l.* each. There are some claims on policies against this company, and in as many as four instances money was obtained for the transfer of its business to other companies; they succeeded in obtaining 400 *l.* from one office, and it turned out that they had no business to transfer.

3047. Did you trace any other offices to that same person?—Yes; there were two branches of this office, "the Operatives' Branch," and "the Reciprocal Loan and Investment Branch." This office was regularly registered under the Act of 1844, and the shareholders would have been liable, if they had had any means of meeting the demands made upon them.

3048. Is that still continuing?—No, it is not; while this company was going on, Denison, with four other reciprocal directors, started "The Hope Reversionary Life Interest Company, 32, Great Coram Street, Russell Square; City Office, 26, New Bond Street; capital, 100,000 *l.*, in 4,000 shares of 25 *l.* each; deposit, 1 *l.* per share; 2*s.* 6*d.* to be paid on allotment, 7*s.* 6*d.* on complete registration, and 10*s.* six months after, with power to increase to one million." The next company started by the same person was the

RECIPROCAL FIRE INSURANCE COMPANY, 32, Great Coram-street, Russell square, London.

Guarantee Fund, 25,000 *l.*; in 10,000 Shares of 2 *l.* 10*s.* each.

Deposit, 10*s.* per Share.

TRUSTEES.

Sir Charles Aldis, Knight, Old Burlington-street, Piccadilly.
Patrick Kelly, Esq., Grove House, Tuam, Ireland.
Rev. G. J. Sayce, M.A., Bristol.

DIRECTORS.

T. Atkinson, Esq., M.A., Corpus Christi College, Cambridge.
Charles P. Best, Esq., Brighton.
G. R. H. Denison, Esq., Great Coram-street.
T. Gilbert, Esq., Russell-square, Lower Holloway.
F. N. Greene, Esq. (late H.E.I.C.S.), Bernard-street, Russell-square.
R. Marshall, Esq., M.A., St. John's Wood Park.
J. Murray, Esq., Great James-street, Bedford-row.
John Chambers, Esq., Trafalgar-place, Hackney-road.
J. E. Mathew, Esq., Church Cottage, West Hackney.
Richard Walker, Esq., Notting-hill.

SOLICITOR.

Mr. *W. S. D. Pateman*

27 June 1853.

SOLICITOR.

P. J. Conway, Esq.

Office in Dublin, 14, Upper Dominick-street.
Residence in London, 32, Great Coram-street, Russell-square.

SURVEYOR.

A. Moseley, Esq., F.I.,B.A.,D.S., Fulham, Lecturer at King's College, 53, Great Ormond-street.

MANAGING DIRECTOR.

G. R. H. Denison, Esq.

This company was not registered at all, and I believe had no deed of settlement.

3049. *Chairman.*] As that office was not registered, it was not attributable to the Act of 1844?—They professed to be registered; they professed to be "incorporated by Act of Parliament."

3050. And you think the public believed it?—Yes; this company issued a large number of policies, I believe as many as fifty in Liverpool; as soon as I was acquainted with this fact I called upon the registrar, and requested him, if he could not prosecute, to give me a letter to the Board of Trade, calling their attention to the subject; he replied that he could not interfere, and I wrote to the Board of Trade myself; it was some time before I received any answer. In the interim I applied to the Inland Revenue, and Mr. Tilsley, the solicitor to the Board, told me that they could not proceed against them for issuing policies without a stamp, unless the party issuing the policy charged for the stamp; the Government proceeded against Denison for having issued a fire insurance policy without having first obtained a licence, and the penalties were ultimately paid. I believe the people in Limerick, and in other parts of Ireland, have been sufferers; as an instance, I produce a fire policy for 600*l.*, effected by William Langford Guest, who was indebted to George William Bassett in the sum of 500*l.*; and on his applying to Guest for the payment of the money after his property was destroyed, Guest assigned to Bassett his interest in the policy, and also executed a stamped receipt, authorising Bassett to receive the money, and on his arrival in London, Bassett found that there was no office in existence; that Mr. Denison could not be found, and the house said to be the offices of the Reciprocal Fire Insurance Society in Great Coram-street had been shut up for twelve months.

[*The Policy was delivered in, as follows:*]

RECIPROCAL FIRE ASSURANCE COMPANY.

32, Gt. Coram-street, Russell-square, London.

No. 25. Sum assured £.600.

Present payment:		Future payments:	
Premium - -	£. 3 15 –	Premium - -	£. 3 15 –
Duty - - -	– 18 –	Duty - - -	– 18 –
Policy not charged.			
	£. 4 13 –		£. 4 13 –

Whereas William Langford Guest, of Newport, Co. Tipperary, Ireland, miller and baker, hath paid to the Reciprocal Insurance Company the sum of four pounds thirteen shillings, and hath agreed to pay, or cause to be paid, to the said company, the sum of four pounds thirteen shillings yearly during the continuance of this policy for assurance from loss or damage by fire, not exceeding in each case the sum or sums hereinafter specified, upon the property herein described, in the place or places herein set forth and not elsewhere or otherwise, unless previously allowed by the board of directors, and a memorandum thereof endorsed hereon, viz.—

£. 250. Two hundred and fifty pounds in the building of his water flour-mill, working three pair of stones, with kiln communicating, stone-built, slated and tiled, situate in the village or town of Newport, county of Tipperary aforesaid.

£. 50. Fifty pounds on the kiln therein.

£. 150. One hundred and fifty pounds on the water-wheel, standing or going gear, millstones, wire machines, dressing mills, all fixed utensils therein.

£. 150. One hundred and fifty pounds on bakehouse and offices adjoinging each other, and said millstone, built, slated and tiled.

£. 600. Mems. It is warranted that no shelling of oats or other grain be performed in said mill, nor any husks or shells of oats or other grain ground therein.

Mr. *W. S. D. Pateman.*

27 June 1853.

Now this policy witnesseth, that from the date hereof until Christmas 1852, and thenceforward so long as the assured shall well and truly pay or cause to be paid the yearly premium aforesaid, and all duty payable by authority of Parliament in respect thereof, at the time aforesaid, and the directors of the same company for the time being shall accept the same, the funds and profits of the said Company, according to the deed of settlement thereof, shall be subject and liable to pay or make good to the said assured, his, her, or their heirs or administrators, all such damage and loss as shall happen by fire to the property hereinbefore mentioned, not exceeding in amount the respective sums of money hereinbefore mentioned, according to the true intent and meaning of the printed conditions hereunto annexed.

Provided always, and it is hereby expressly declared and assured, that the funds and property of the company shall alone be answerable for the payment of the monies assured by this policy, and that no director of the company shall be personally liable or responsible for the payment of or contribution towards the monies assured by this policy, or be liable to any demand against the company on any pretence whatever, beyond the amount of the sum for the time being unpaid on, or in respect of his or her share or shares in the capital of the company.

In witness whereof, we the undersigned, being two of the directors of the said company, have hereunto set our hands, and caused the common seal of the company to be affixed hereto, this 25th day of December 1851.

Examined—*John H. Wright*, Accountant.
Entered—*E. Mivart*, Clerk.

J. Murray,
Geo. R. H. Denison, } Directors.

Received from W. L. Guest, Esq., the sum of £.4. 13*s.*; premium on this policy up to 25th December 1852.

14th Jan. 1852. *John Bassett*, Agent, Limerick.

The next company was "The Absolute Security Life and Fire Assurance Company, and National Friendly Society; chief offices, 32, Great Coram Street, London; branch offices, 46, Commercial Street, Newport, Monmouthshire; Ashted House, Birmingham; capital, 100,000*l.*, in 50,000 shares of 2*l.* each; deposit 10*s.* per share." There were eight directors on the London board, and thirteen upon the South Wales local board at Newport. I am authorised to state, as regards the directors of the Newport branch, that the names of all those gentlemen were used without their knowledge and consent. Denison also projected two other companies, "The United Kingdom," and "The Beneficent Life Assurance Societies;" the last is "The Industrial Life Assurance Society," the prospectus of which I produce; and in this case also a number of policies have been issued.

[*The Prospectus is delivered in, as follows:*]

INDUSTRIAL LIFE ASSURANCE AND PROVIDENT SOCIETY.

32, Great Coram-street, Russell-square, London.

Empowered by Act of Parliament.—Supported by a Guarantee Fund.

TRUSTEES.

Rev. G. Hamilton, M.A. | F. Sibson, Esq., M.D., F.R.S.
Richard Walker, Esq.

COMMITTEE.

Henry Bourne, Esq., Ashted-house; Birmingham.
James Brown, Esq., Hammersmith.
G. R. H. Denison, Esq., Great Coram-street, Russell-square.
J. E. Mathew, Esq., Church-cottage, De Beauvoir-square.
J. W. P. Scott, Esq., Great James-street, Bedford-row.
R. Scott, Esq., Barnsbury-street, Islington.
Richard Walker, Esq., Notting-hill.

Bankers—Royal British Bank.

Actuary and Manager—G. R. Denison, Esq.

Agent for Limerick—William Wright, Esq., 110, George-street.

Medical Referee—W. R. Gore, Esq., M.D., 89, George-street.

The benefits of life assurance have long been felt and appreciated by the upper and middle classes of society; but the industrial working part of the population have hitherto been almost entirely excluded therefrom, in consequence of the various life assurance companies being so constituted as neither to suit their wants or means.

The

Mr. *W. S. D. Patewar*

27 June 1853.

The object of the "Industrial Life Assurance and Provident Society" is, therefore, to extend to such persons every advantage that can be derived from a system of life assurance based on sound and equitable principles, and under rules and regulations specially framed to suit their means.

For the more effectual accomplishment of this object, the society has been enrolled under the Friendly Societies' Act, by which the following and many other important privileges are secured:—No stamp duty payable on any of the society's papers; no law expenses can be incurred; the members are protected against all personal liabilities, and participate in the profits of the business.

This society, while avoiding the defects, will afford all the solid advantages of benefit clubs, and such as are not to be obtained in any other.

Its business will embrace,—

Assurances for a sum of money, payable at the member's death to his family; to himself on reaching a particular age, or to his family should he not live so long.

Assurances on joint lives, survivorships, and of every other kind.

Weekly allowances, not exceeding 20 *s.*, together with medical attendance and medicines.

An assurance of a sum of money payable in the event of death from accident only.

Entrance fee only 1 *s.* each member.

Premiums may be paid weekly, monthly, or quarterly, if desired; and if the member be unable to continue paying his premium, the policy may be continued in force for a given period.

Sickness Assurance.—Monthly Premiums to Assure in Sickness the following Sums Weekly, with Medical Attendance and Medicines.

Age not exceeding	Ten Shillings.	Fourteen Shillings.	Twenty Shillings.
	s. d.	*s. d.*	*s. d.*
20	2 –	2 5	3 3
25	2 1	2 7	3 7
30	2 3	2 10	3 11
35	2 7	3 2	4 6
40	2 11	3 8	5 2
45	3 4	4 3	6 1
50	4 –	5 2	7 6

Every person assuring against sickness must assure a sum at death also; and if for 10 *s.* per week, not less than 20 *l.*; if 14 *s.*, not less than 30 *l.*; if 20 *s.*, not less than 50 *l.*

Accidental Death Assurance.

Miners and colliers may assure a sum of 20 *l.* payable at their deaths, if caused by accident in the mine or pit, by paying 3 *s.* per annum, or one penny per week.

Other persons, as well as miners and colliers, may assure in a similar way against accidents of a particular kind.

I find that in Limerick upwards of 40 life policies have been issued, the premiums of which have been paid; the smallest is for the sum of 12 *l.* 10 *s.*, the premium on which is, 15 *s.*; the largest is for the sum of 700 *l.*, the premium on which is 58 *l.* I find that seven policies of 100 *l.* each, bear the date of the 27th February 1853; they are signed by R. Walker and G. H. Denison, as directors. Denison was under examination at Marlborough-street on the 3d, 9th and 15th of February 1853, for have uttered a false check for 50 *l.* on the National Provincial Bank of Ireland, Cork; there being no such bank in existence. The policy I hand in, you will perceive, is without a stamp.

3051. These appear to be Limerick frauds; did the office profess to be a Limerick office?—No, the office was a London office, which transacted business in England and in different parts of Ireland; I here produce a sheet almanack of The Industrial Life Assurance and Provident Society, in which J. Walpole, Esq. is stated to be the agent of that company at Tralee. I wish it to be understood that this company is not connected in any way with the Industrial Life Assurance Company, Waterloo-place, Pall Mall. Wallace, the holder of the industrial policy, on which he paid 58 *l.* premium to Wright, the Limerick agent of that company, sued him for the amount, and the case was to come on for trial to-day, before the assistant barrister. I also produce the prospectus of another office, The Annual Bonus Life Assurance Society, Adelaide-place, London Bridge:—

[*The same is delivered in, as follows*:]

Mr. *W. S. D. Pateman.*

27 June 1853.

THE ANNUAL BONUS LIFE ASSURANCE SOCIETY, Adelaide Place, London Bridge.

Founded on the principles of the Art Union of London.

Established by Act of Parliament 13 & 14 Vict.; under which, according to the constitution of the society, the following important advantages are secured:—

Assurance instantly obtainable on application to the agent, without the trouble and loss of time ordinarily incurred.

Annual bonuses paid to the assured, not in equal fractional amounts, but in accumulated sums, as bounties for the encouragement and promotion of life assurance in general, and varying in amount from 10 *l.* to 1,000 *l.*

The first distribution to be made on the 1st of July 1853, and continued every succeeding year, in the manner of the Art Union of London, when every member of the society who has subscribed one guinea before the 1st of June, will have an opportunity of balloting for a large share of the annual profits of the society.

No medical examination, except in the case of diseased life, a declaration of health being sufficient.

No charges for entrance money, policy stamp, or fees of any description.

Fixed premiums of half-a-guinea, assuring, at ten years of age, the sum of 80 *l.* 11 *s.* 1 *d.* on the occurence of death; and one guinea, assuring, at 21 years of age, the sum of 100 *l.* on the occurence of death; and making provision for other ages on a scale of corresponding liberality.

Immediate payment of claims.

PROSPECTUS.

Assurance societies, considered as associations for the cultivation of provident habits, although they have, to a great extent, succeeded in attaining the object of their institution, have, nevertheless, left so large a field of operation unoccupied, that scarcely one in a hundred of the population has secured the advantages of life assurance. This is the more remarkable, since the death of every 1,000 married men in the middle and lower ranks of life, who have not assured their lives, leaves at least 4,000 women and children in poverty, if not in absolute penury, who might otherwise be left in comparative affluence.

The cause of this restriction of the provident system may be traced to the fact that the motive for assurance put forward by its promoters, is not sufficiently strong to secure its universal adoption. To command the sympathies of the multitude, some more immediate motive than that of posthumous advantage must be addressed to the understanding. Provident arrangements must be formed by methods corresponding with those under which the Art Unions have so successfully diffused the principles of taste. The prospect of an immediate and large bonus is needed to excite, to confirm, and to extend the practice of assurance.

The great success which has crowned the operations of societies based on the principle of granting prize rewards, induces the confident belief that, were a prospect of more immediate gain offered to the public than is at present afforded by the mode of paying bonuses, the practice of life assurance would be very generally extended.

In the present institutions, the pecuniary benefit enjoyed by the assured, during life, is a share in the profits of the office, paid periodically in the shape of "bonus;" but in the case of a policy of small amount, the sum so afforded is too inconsiderable to act as an inducement to the uninsured. The trifle to be gained at the end of five years does not, in popular estimation, afford a sufficient remuneration for the trouble incurred in effecting an assurance.

The Annual Bonus Life Assurance Society, taking advantage of this circumstance, will not apportion its payments of profits, in the comparatively ineffectual manner generally practised. Bonuses will be annually distributed, but not in proportionable amounts to each individual. They will be paid as yearly bounties in accumulated sums of 1,000 *l.*, 500 *l.*, 100 *l.*, 50 *l.*, 25 *l.*, and 10 *l.*; and, acting on the principle followed in the "distributions" of the Art Union of London, the persons entitled to such sums will be annually elected by a public ballot, in which each of the assured who has subscribed one guinea will have an opportunity of gaining one of the annual bonuses.

The profits for the year ending 1st June, 1853, will be distributed on the 1st July following. The bounty list will comprise—

		£.
1	Bonus of	1,000
1	„ of	500
4	Bonuses of	100
9	„ of	50
20	„ of	25
215	„ of	10

making in all two hundred and fifty bonuses of the aggregate value of five thousand pounds.

The bonuses for the year ending 2d June 1854, will probably exceed the above, both in number and value, but they will be made to bear a fixed proportion to the number of the assured.

Another and distinguishing feature of the business of the Annual Bonus Life Assurance Society, will be found in the moderate amount of its policies and the fixed charge made for all

all ages from 10 to 20 years, and from 21 to 70 years. In existing institutions, assurances are mostly effected for large sums, and the business is arranged on a correspondingly expensive scale. The policy for 1,000 *l.* is eagerly sought, while the policy for 50 *l.* is rarely solicited. It follows that while a few are benefited, the majority suffer neglect. The policies in this office will be issued every year for sums proportionably varying from 10 to 70 years of age, as in t e following tables; and the charge for every such annual policy will be half a guinea for all ages from 10 to 20 years, and one guinea for all ages from 21 to 70 years.

And finally, the society will, as a general rule, dispense with the practice of medical examination—so revolting to females, and so painful to all persons—and base its proceedings upon a simple affirmation of health, to be signed by the assured.

TABLE I.

Fixed premium of half-a-guinea for all ages from 10 to 20 years.

Showing the sum which would be paid to the representatives of the assured, if death should occur during the year of his or her subscription.

Calculated on the basis of the English Life Table, and certified by the Actuary to the Commissioners for Reduction of the National Debt.

Age.	Sum Assured.			Age.	Sum Assured.			Age.	Sum Assured.		
	£.	*s.*	*d.*		£.	*s.*	*d.*		£.	*s.*	*d.*
10	80	11	1	14	61	4	3	18	53	16	5
11	80	3	7	15	58	3	6	19	53	1	5
12	80	4	2	16	56	16	6	20	51	3	11
13	65	3	4	17	55	6	–				

This table, which has been specially arranged for the convenience of persons under age, secures so large a proportionate sum, that unless two half-guinea policies are subscribed for, the party assuring will be excluded from the enjoyment of the bonus. This arrangement has also been found necessary, to secure simplicity and uniformity in the provisions made for the adjudication of bounties under the grand annual ballots.

TABLE II.

Fixed premium of one guinea for all ages, from 21 to 70 years.

Showing the sum which would be paid to the representatives of the assured, if death should occur during the year of his or her subscription.

Age.	Sum Assured.			Age.	Sum Assured.			Age.	Sum Assured.		
	£.	*s.*	*d.*		£.	*s.*	*d.*		£.	*s.*	*d.*
21	100	–	–	38	64	14	6	55	38	10	1
22	97	1	4	39	63	–	2	56	34	15	2
23	95	4	6	40	61	10	1	57	32	7	1
24	92	8	2	41	59	17	1	58	30	–	4
25	90	–	2	42	58	8	–	59	27	15	1
26	87	19	9	43	56	19	5	60	25	16	3
27	85	14	1	44	55	11	2	61	23	18	2
28	83	9	10	45	54	3	4	62	22	2	8
29	81	11	10	46	52	15	11	63	20	10	6
30	79	4	6	47	51	9	1	64	19	–	8
31	77	8	6	48	50	2	6	65	17	12	9
32	75	8	4	49	48	18	9	66	16	7	2
33	73	9	2	50	47	15	3	67	15	2	4
34	71	15	4	51	46	9	10	68	14	1	2
35	69	13	10	52	45	6	8	69	13	–	11
36	68	1	5	53	44	6	1	70	12	2	3
37	66	9	7	54	43	3	6				

With the examples which these tables present, of smaller premiums on one side and of larger contingent profits upon the other, than have hitherto been proposed by any assurance or benefit society, it will be easily seen, that when the capabilities of the new system, supported as it will be by effective superintendence, and sustained by adequate capital, are brought fully into operation, it will present such an accumulation of advantages, as to render it an instrument of unequalled power in advancing the social happiness and the material prosperity of the country.

Mr. *W. S. D. Pateman.*

27 June 1853.

It therefore deeply concerns the public, whose welfare is inseparably connected with every undertaking which tends to promote the pecuniary resources of the industrial classes, that every encouragement should be given to the Annual Bonus Life Assurance Society. The advantages offered by it should be fully and seriously considered, and, if approved, the present undertaking should be adopted as a national enterprise. As such, every one, whether assured in another office or not, should set an example by assuring his own life with the society, and thereby recommending the practice to others.

The paramount claims of the Annual Bonus Life Assurance Society upon the public may be thus summarily stated :—

I. It will extend the practice of assurance to the utmost limits of pecuniary capability, at the lowest rate of charge at which the outlay can be reimbursed.

II. It will create a habit of saving where none existed before.

III. It will secure to families the perpetuity of a policy; for the constant hope of a great reward, repeated from year to year, will necessarily tend to produce a continuity of interest and a regularity of payment not otherwise obtainable.

IV. Unlike a lottery, which, as a question of morals, it in no respect resembles, the good contemplated will be accomplished without inflicting pecuniary injury upon any one. The sum guaranteed by the policy will, in every case, remain the undiminished property of the assured. Along with the advantage thereby secured to a family, the hope is enjoyed of obtaining a large reward, which, should it be lost, may be gained next year—provided the policy is repeated—a circumstance in which the public is equally interested with the family; and even should a "bounty" never be obtained, the assured would, at least, acquire the benevolent satisfaction of having contributed to improve the fortune of some one whose necessities were perhaps greater than his own.

George Baynham,
Registrar and Clerk to the Society.

DIRECTIONS TO APPLICANTS FOR ASSURANCE.

Declaration of Health.—The applicant is respectfully requested to read this document, a copy of which will be furnished by the agent, and if he shall then feel himself at liberty to make affirmation of its truth, he will be good enough to sign it, and the agent will give his counter-signature as witness.

Receipt for Payment of Premium.—Before paying the premium, be careful to ascertain that the receipt card bears the signature of an authorised agent of the society.

Policy.—The receipt, when obtained, must be sent within fourteen days, with the name of the holder written across it, to the head office, Adelaide-place, London-bridge, addressed to George Baynham, registrar, who will, in exchange for it, return a policy, bearing the number by which the assured will be represented in the ballot for the annual bonuses.

Diseased Lives.—These will be assured on the principle of making an advance on the age of the party proportionate to the risk attending his peculiar circumstances. Thus, supposing a person 21 years of age, with a malady calculated to shorten the expectancy of life by ten years, his age would be assumed to be 31 years, and the sum assured 77*l.* 8*s.* 6*d.* But persons so situated will be equally eligible as candidates for the annual bonuses. A fee of 10*s.* 6*d.* each will be charged for medical and office expenses, in determining such cases.

Admission to the Annual Ballot.—The assured will be admitted by cards, obtainable of the officers and agents of the society; and the place of meeting will be duly advertised in the public newspapers.

Local agents desirous of obtaining appointments are requested to apply to the head office for terms and instructions. The provincial business will be obviously very large, and as special arrangements are being made for it, applicants must be careful in accurately specifying the limits of the districts for which they are prepared to act. Agents for other offices dealt with on terms specially advantageous.

3052. I see there is a bank in Lombard-street mentioned there; do you suppose that that bank had opened an account with those parties, or had had any communication with them?—I am authorised by the London and County Bank to state that those parties never had an account with them, and had no authority to use their name.

3053. Then this is a case also which you would bring within the category of frauds?—Yes, it is a fraud; and the promoters, Mr. Stephen, H. Sleigh, and Mr. Henry Owen, actuary of the Annual Bonus Assurance Society, and also secretary of the Counties Union Life and Fire Assurance Company, of No. 1, Adelaide-place, London-bridge, were summoned before the Lord Mayor for "having unlawfully conspired, together with divers other persons, to cheat and defraud Dr. John Hall Davis, and that in pursuance of the said conspiracy, they, by certain false pretences, obtained from him the sum of 100*l.*," on which charge they were both committed for trial.

3054. What

3054. What was the period when these latter companies were started?—All were started within the last two years.

3055. Have you made inquiry as to the position of the men who were appointed agents for these companies?—Yes, Bassett was agent for the Reciprocal Life and the Reciprocal Fire, and I believe is now agent for the Deposit and General Company.

3056. Were Bassett and the agents generally imposed upon themselves, or were they acting in fraudulent collusion with the promoters of these offices, do you think?—I should think Bassett might have been imposed upon.

3057. Then you think Bassett was a victim?—I think so, or he never would have given a discharge for the money that was due to him from Guest.

3058. Do you suppose that it is by means of appointing respectable persons throughout the country, or persons respectable in their position and their local character, that the public are imposed upon, and that those persons accept the agencies without taking sufficient pains to ascertain the respectability of the office that appoints them?—I think the agents are taken in by the array of names on the prospectus, and from their stating that they are "empowered by Act of Parliament," and from the tempting commissions that are offered, which runs up as high as 10, 20, 30 and 40 per cent. on the premiums received. I am now speaking of life assurance premiums. The Reciprocal Life Company had agents in 50 of the principal towns in England.

3059. Mr. *Mullings.*] You spoke of policies being issued without stamps; I suppose if there were any difficulty in recovering the amount, the consequence would be that the policy would be void; it could not be sued upon, or given in evidence in a court of law?—Certainly not.

3060. *Chairman.*] It is not a policy on which any claim could be made in point of law?—I should think not. As regards agency commissions on life policies, Denison states, in a letter dated 15th June 1851, "The commision we allow is 15 per cent.; and if, in addition to your own services, you introduce persons elsewhere who dispose of our shares for us, we should be willing to remunerate you in proportion thereto."

3061. I understand that in the cases you have mentioned, the losses were principally on fire policies?—I believe that the very large amount has been upon marine losses, notwithstanding there are claims for fire policies unpaid.

3062. Were there any in the case of life assurances?—Yes; there are life claims unpaid against the Tontine, the Independent, the Counties Union, and the Industrial Companies, and others.

3063. Where the company has not been wound up, of course the premiums which have been paid have all been lost?—They have all been lost.

3064. Therefore if a number of claims have fallen in, in consequence of persons having died, the premiums paid, as well as the sum assured, will be lost?—Yes.

3065. Mr. *Chambers.*] Supposing the business is transferred, that would not be the case?—No; but in the instances I have mentioned the business has not been transferred.

3066. *Chairman.*] In the cases you have gone through there has been no transfer?—No.

3067. Of course, if the business had been transferred, and the company wound up, then the policy holders would be as well or better off than before?—Yes; in the case of a life office it would make very little difference to the party assured; supposing him to be in good health at the end of the year, he would re-assure his life, and he would only lose the difference between the premiums of 30 and 31, for example.

3068. Mr. *Freshfield.*] Then, upon a life policy, the company would only have received one premium, supposing them to stop at the end of the year, as appears to have been the case with most of these offices?—Yes; the only case of a second premium I ever heard of was that of a Dr. Greene, who was assured in the Reciprocal Life; but I believe his premiums were due half-yearly.

3069. *Chairman.*] In these cases, as far as you have been able to discover, was it only for the sake of the first premiums that these offices were started?—I believe they would have gone on much longer if they had not been exposed.

3070. Do you suppose that the persons you have been speaking of started these offices one after the other, *bonâ fide* and honestly intending to go on?—No, I think not, in those cases.

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3071. Then it was merely a mode of fraudulently obtaining large sums of money from the public under false pretences?—Yes, there can be no doubt of it.

3072. Mr. *Mullings.*] Practically, the first premium is the only premium paid in these cases?—Yes, except in the marine offices.

3073. *Chairman.*] With reference to agents in the country, when they appoint agents who are respectable persons, may not the premiums go on being paid for a considerable period, the agents themselves not having ascertained the responsibility of the office, and the persons assuring trusting to the agent?—It might be so; but I think it is as much the duty of the agent to inquire into the respectability of the office, as it is the duty of the office to inquire into the responsibility of the agent. In these cases it would have been impossible for the company to have gone on transacting business very long without being exposed. In the case that was to be tried to-day in Limerick, Wallace *v.* Wright, there was no company in existence, and the party has proceeded against the agent for the amount of premiums paid, holding him responsible.

3074. That is the agent for Limerick?—Yes; William Wright, agent for the Industrial Life at Limerick.

3075. Is he a respectable person, and the victim of these parties?—I have seen him within the last few days; I do not think he exercised the necessary caution; he was anxious to obtain business.

3076. You have no reason to believe that he was fraudulently in league with these parties?—I do not think he has handed over all the money he received. In one case he states that there were seven policies issued on the 27th of February last; and I have already stated that Denison was under examination at Marlborough-street on the 3rd, 9th and 16th of the same month.

3077. Mr. *Chambers.*] You say that that office has done a good deal of business; how do you know that?—Because I have a number of policies before me on which the premiums have been paid; and I have seen many others.

3078. Mr. *Freshfield.*] Will you state what is your connexion with this subject?—I am the publisher of the "Post Magazine," for Mr. John Hooper Hartnoll, which is devoted to the subject of life assurance, and I have to procure information for it.

3079. *Chairman.*] Now you have stated a great number of cases in which the two persons you have named got up one office after another; do you know whether similar frauds have been committed by other persons?—Yes; here is another case, which is that of a company registered on the 21st September 1852, by "George Octavius Etherwill, gentleman, of 457, New Oxford-street, and William A. Arnati, gentleman, of 37, Brewer-street, Golden-square, for the purpose of insuring to Government officers of all nations, civil and military, as well as to soldiers and sailors in the Royal Navy a complement of their pensions, which shall increase it to the ratio of full pay." I here hand in the prospectus of the company.

[*The same was handed in, as follows:*]

EUROPEAN ALLIANCE FULL-PAY INSURANCE COMPANY.

For Government Officers of all Nations, Civil and Military.

Capital, £.160,000.

For assuring on the mutual principle to officers, military and naval, and the public functionaries of the Governments of Europe, their full-pay allowance to the time of death, commencing from the date of their entering on their retiring pensions.

COMMITTEE:

John Small, Esq.
William Panglass, Esq.
Rev. Watson Stanhope.
Rev. Henry Stafford.
H. Robertson, Esq.

Managing Director—George Octavius Etherwill, Esq.

Secretary—William A. Arnati, Esq.

Solicitor—Thomas Birch, Esq.

Office, 457, Oxford-street, London.

With branch boards of direction in the principal towns of Europe.

Loan funds and European provident fund for subscribers and sub-officers in case of suspension of employment, half-pay, wounds, accidents, sickness, invaliding, and retirement.

Endowments, life annuities, and provision for widows and descendants.

Local

Local board The day 185 .
The local manager for the town of .

Mr. *W. S. D. Pateman.*

Sir,—Having been appointed by the European Alliance Company to receive subscriptions for the company, I have the honour to bring before your notice the laws and regulations which have been forwarded to the chiefs of the embassies in London, and which have been specially approved by the French minister. 27 June 1853.

The company, by means of the powerful principle of mutuality, affords to the members the advantage of their funds accumulating at interest, and secured in the Government Stocks. The object of the company is to increase the retiring pension or half-pay of the officers and public functionaries attached to the Governments of Europe, so as to make it equal to their full-pay up to the period of their decease, and according to their rank or the nature of their employment. It offers also the following advantages:—

Independently of its guaranteed capital, and its corresponding boards of direction, the company has established, upon the most certain basis, the future as well as the present position of its members. Every three months the subscriptions are invested in the Government funds of the respective states in which they have been received, subject only to a fixed charge for expenses of management. On the 5th January in every year the various local managers receive a statement thereof to transmit to the different members.

Every five years a division will be made in the shape of dowry and indemnity, amongst all the orphans of less than 15 years of age, of a proportionate reserve from the sums paid by deceased members, and accumulated in the general fund. After the first year's subscription a loan fund will be established, with the option of repayment by quarterly instalments.

The premium, calculated for 30 annual payments, is fixed for France at 12 days' full pay, clear of deduction, payable quarterly, according to the rank of the subscriber, and increasing according as he rises in the service. This subscription must be paid into the hands of the local manager.

Subscribers are divided into two classes; those of the first class having paid 30 annuities will receive the full difference, that is to say, the amount which will make up their annual income equal to full-pay.

Subscribers of the second class having paid only 15 annuities, will receive only half of the difference to make up full-pay.

Subscribers who are within a few months of becoming entitled to their pension, provided they could not pay the annuities required for half of the difference, would be credited by the company, with ten annuities due for that half, they must pay five annuities to the general fund.

The widow of a deceased subscriber, whether he be on full or half-pay, will only receive a third of the difference; but if her husband has paid more than 15 annuities, she will be entitled to one-half of the difference which he would claim.

The funds contributed by deceased unmarried members, by those who have voluntarily withdrawn, or who have changed to other pursuits, will benefit the general mass of subscribers.

The rate of contribution does not increase, whatever may be the amount of full pay. It ceases from the day when the retiring pension commences.

The sums contributed by members who have paid less than 10 annuities, who are placed on half-pay, or who are incapacitated in consequence of wounds, sickness, changes or suspensions of employment, form a special fund, entitled "European Provident Fund," increased by the annual deduction of 10*f.* for each subscriber. Each year 75 per cent. of the accumulated capital is equally divided amongst those who are entitled thereto.

For the improvement of the moral condition, and for the benefit of the sub-officers and soldiers in the military and naval services of Europe, a "Mutual European Provident Fund" is established on the same principle. The annual rate of voluntary contribution is fixed at 12*f.* 50c., payable yearly or half-yearly. It affords compensation to the sub-officer or soldier who is wounded, invalided, or who has attained the period of retirement.

Such, sir, are the leading features of the company. We believe, that considering the advantages, the precautions, the guarantee and the economy of a large association of prudent men, jealous of the dignity of their position, and anxious for the moral improvement of their sub-officers and brave soldiers, as well as the future benefit of their families, will not hesitate to subscribeto conditions so equitable to all.

The approbation of the representatives of the different states of Europe, the example of the English officers and public functionaries, the support of the most enlightened men in the land and sea services, make us confident that you will respond to our appeal. The company being bound within the first three months to present to the members the exact list of supporters, begs the subscribers to forward, as soon as possible, with their promise of support, the amount of one day's full-pay. If this formality be omitted, they may be subject to new modifications of payments if they desire to join the company at a future date.

Hoping that you will make known our circular to your honourable colleagues, we seize the opportunity to solicit your support. In this hope, accept, sir, with the highest consideration, the respects of your servant,

The Local Manager.

Mr. *W. S. D. Pateman.*

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FORM OF AGREEMENT.

I, the undersigned , residing at , holding the rank of in , entered on duty the , appointed by , or for three days of full pay, declare that I agree to the present circular of the European Alliance Company, and subscribe one day's pay for the assurance of the difference between my retiring pension and full-pay, on the conditions and regulations on which my policy will be issued. The present writing will serve to make valid the contract of my assurance, to be sent me from the general board of direction at London.

Signed at , 185

The present letter to be sent, postage free, with a post order, addressed to the local manager, authorised to receive subscriptions at

I found that this company had advertised extensively in almost every continental paper; the following is a copy of an advertisement which I have taken from "Journal di Turin:"—

Una Compagnia Inglese di assicurazione e di previdenza chiede in Torino ed in tutte le principali citta degli Stati Sardi e dell'Italia dei directori generali con assegnamento fisso di 4,000 a 8,000 *fr.*

Scrivere Franco in Inglese o in Francese a Sir Etherwill, 457, Oxfort-street, Londra.

My attention was first directed to this company, in consequence of a gentleman having called upon the secretary of The Rock Life Office, stating that he had received instructions from Paris, to invest 500 *l.* in the company, if it should be found respectable; he was referred to the "Post Magazine." Mr. Jameson, a director of The Victoria Life Office, received 80 *l.* to invest in the same company. On inquiry I found that the office consisted of one room, over a milliner's shop, in New Oxford-street, containing only two chairs, a broken table, and a large number of prospectuses, printed on foreign note paper. I was informed that a great number of foreign letters had been received at the house. I then applied to the French ambassador, and he took active measures to close the concern in all parts of France; and the manager decamped shortly afterwards. There was another company started by a person calling himself Sir John William Dixon, entitled "The Universal Life and Fire, Insurance Company;" they copied the style of the prospectus of a highly respectable office, called The Universal, in King William-street. This company was also extensively advertised on the continent, stating that they were willing to receive applications from respectable parties willing to become agents; that the remuneration for their services would be from 200 *l.* to 800 *l.* a year, and that before any agent could be appointed, he would be required to deposit from 100 *l.* to 400 *l.*, for which he would receive interest at the rate of five per cent.; letters were addressed to Mitre-square, Aldgate. This I found to be a very small house, and that a room had been taken in it, which the parties never occupied, some person calling there for the letters; no one had called for letters during the last six or seven days, in consequence of the police having been making inquiries respecting Mr. Dixon, and there were at least 40 letters returned to the General Post-office, many of which were supposed to contain money.

3080. Who was that man?—He called himself Sir John William Dixon.

3081. How long ago was that?—Within the last six months.

3082. How long ago is it since The European Alliance was got up?—That was in the beginning of October 1852; about the same time.

3083. How many cases have you got altogether of this class, which come under the description you have given us, viz., clearly fraudulent attempts to obtain money?—More than a dozen altogether.

3084. They were not all registered?—No, some were not registered at all.

3085. Do those that were not registered at all appear to have had any more difficulty in getting agents in the country?—No, they appear to have got them with just the same facility.

3086. Did they all profess to be registered?—They all professed to be registered; they stated they were "empowered by Act of Parliament."

3087. Have you any other cases?—Yes; that of The People's Life Assurance and Endowment, in 1846. There are policies unpaid, and a large number of claims against this company; then there was The United Kingdom Cattle Assurance Company, whose offices were in Cheapside, there are claims against them,

I am

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I am informed, to the extent of 20,000 *l.*; there is also, The Farmers' and Graziers' Mutual Cattle Assurance Company, Wellington-street, Strand, in which the policy holders have been sufferers to a very large amount; at the present moment they are issuing policies, and the company consists of the secretary and one director, and they admit that they have outstanding claims against them to the extent of 5,000 *l.* The last case is that of The Sceptre Fire and Life Assurance Company, which I should call a failure; it was only in existence for a short time, and they did a small amount of business. This company lost in preliminary and other expenses nearly 4,000 *l.*, the whole of which sum, I have been told, has been paid by two of the directors, Messrs. Cox and Wyman. The actuary and manager of this last named company are each bringing out a new office, one called The Lion of England, the other The Realm. Thus two offices arise out of the failure of one; and I think it will be seen from the paper which I have before me, that 13 offices in this case owe their origin to one gentleman. These are The Victoria, 1838, Mr. E. Baylis, actuary; The English and Scottish, 1839, Mr. E. Baylis; these companies I believe to be very respectable. The Anchor, 1842, Mr. E. Baylis; The Candidate, 1843, Mr. E. Baylis and Mr. Durre; The Professional, 1847, Mr. E. Baylis; The Trafalgar, 1851, Mr. T. H. Baylis (son of Mr. Baylis, and formerly of The Anchor); The Waterloo, 1852 (the secretary of this office is the son of one of the directors of The Professional); and, lastly, The Unity Fire, 1853, Mr. T. H. Baylis (also secretary to The Trafalgar), got up jointly by the directors of The Waterloo, Trafalgar, and Professional, and of which Mr. E. Baylis is the actuary and one of the directors.

3088. How many of those offices are in existence at the present time?—All except The Candidate. It will be seen, that a great many of these offices have been got up by clerks and other persons who have held subordinate situations in other offices; they find it a capital thing to get a salary of 1,000 *l.* or 2,000 *l.* a year, and they act in conjunction with a solicitor, who draws the deed.

3089. If people find that the business of assurance is increasing very much, is it not a very natural thing that persons acting as clerks or assistant secretaries in old offices should be the parties to get up new offices, if there be a demand for them; do you not think if you inquired into any description of business, that many of those concerns were started by young men who had formerly been brought up in businesses of a similar description?—Yes; but in this case I think they are started with a reckless expenditure, which must be ruinous to the proprietors and policy holders, from the fact that many such persons possess very little knowledge of the business they undertake.

3090. With regard to the amount of expenditure, that, I suppose, must be a matter of opinion with reference to the business likely to be obtained by such expenditure?—Yes. Branching out of the English and Scottish, we have the Commercial and General, in 1841, Mr. F. Lawrence, manager, who had previously been clerk under Mr. Baylis, in the English and Scottish. The Engineers, 1848, Mr. F. Lawrence. The Adamant, 1852, Mr. F. Lawrence. This gentleman is now the manager of the London and County Insurance Company. Branching out of The Anchor, we have The Athenæum, 1851, Mr. Henry Sutton; The Era, 1852, Mr. E. Curtis; The Emperor, 1852, Mr. E. Curtis. Then again, in 1845, we find The Merchants and Traders, Mr. Augustus Collingridge; The Port of London, 1847, Mr. A. Collingridge; The Sea, Fire, 1849, Mr. J. Hooper for Mr. A. Collingridge. Out of The Merchants and Traders sprung The General Commission, 1846, Mr. A. Collingridge, and Mr. J. N. Burnand; The Marine Brokers', 1849, Mr. J. N. Burnand; and also The Colonization, 1849, by Messrs. Wood and Huggins; Wood had been secretary to The Merchants and Traders, and Huggins was tried and sentenced to death at the Old Bailey in 1851 for arson. Then from Mr. J. H. James, who was the actuary of The Gresham, 1848, we have The English and Cambrian, 1850, Mr. J. H. James; The British Provident, 1850, J. Reeve, Esq., and Mr. J. H. James; The Sceptre, 1852, Messrs. Steers and James. From The Sceptre arise The Lion of England in 1852, by Steers, and The Realm, in 1853, by James. I find, in 1845, Mr. Burt acting as clerk in The Tontine office, now winding up. Arising from The Tontine we have The United Mutual Mining, 1850, Mr. A. Burt; The Industrial Sick, in 1851, by Messrs. Burt, Sprague and Clench, each of whom had recently filled offices in The Sea, Fire; The New Equitable, 1850, Messrs. Burt and Clench; then The Householders, in 1851, by Mr Alfred Burt;

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Burt; and The National Provincial Life, in 1851, by Mr. J. W. Sprague; and The National Provincial Fire, 1852, Mr. J. W. Sprague.

3091. How many of the offices you have last mentioned are still in existence?—There are 10 still in existence out of 18.

3092. Mr. *Cowan.*] In the case of the "Tontine" office, you say it is winding up in the Court of Chancery?—Yes; and a call has been made of 1 *l.* 7 *s.* per share.

3093. Was that a proprietary or a mutual office?—A proprietary office.

3094. Then the whole of the shareholders are called upon to make good the claims on the company?—There are very few policy claims; there were not more than three policies that became claims; the company was not long enough in existence to have many claims.

3095. Mr. *Chambers.*] It was altogether an abortive matter?—They were two or three years in existence.

3096. Mr. *Cowan.*] How much capital did they pay up?—£. 4,500.

3097. *Chairman.*] Is that exhausted?—That is exhausted, as well as all the premiums received; and a call has been made of 1 *l.* 7 *s.* per share.

3098. What description of claims is that to satisfy?—For expenses, and to pay creditors. There are only three claims on policies, one of 500 *l.*, and two of 100 *l.* each. The business was transferred.

3099. What did they do in that case with regard to the policies that were running?—With the exception of the three that had become claims, the policies were transferred to the Engineers' and Masonic office.

3100. The business was transferred?—Yes.

3101. Mr. *Cowan.*] Was the call made in respect of the Tontine made under the Winding-up Act, or was it voluntary?—Under the Winding-up Act.

3102. Mr. *Mullings.*] The calls were made to satisfy the claims of third parties?—Yes, of creditors. Eight of the companies projected since 1845, are now closing under the Winding-up Act.

3103. Mr. *Chambers.*] Are they all life assurance offices?—Half the number are life assurance offices; I think four are not.

3104. Mr. *Mullings.*] With regard to one of the offices which you spoke of, viz., the "Annual Bonus," that was in fact a lottery?—Yes, under the guise of a life assurance office. That was never completely registered.

3105. Did they do business?—From all that I could learn, I believe they issued from 2,000 to 3,000 life assurance bonus policies, the premiums of which were one guinea each, the whole of which policies were unstamped.

3106. *Chairman.*] Do you find that the business which these offices did was generally in the country?—Yes.

3107. Generally out of London?—Yes, they did not do much business in London. The projectors of the "Annual Bonus" were also the projectors of the "Counties Union Life and Fire Assurance Company," which consisted of eight persons representing a capital of 100,000 *l.*, "of which the promoter, E. J. Wickstead, was also a director, and a holder of one 10 *l.* share; and the said eight persons were empowered by the deed to issue shares to the extent of one million sterling." This company has been brought to a close, under the Winding-up Act, within the last few weeks. The losses, I understand, amount to 20,000 *l.* The late Earl of Ducie was the trustee of this company, and I was informed that he would be made a contributor.

3108. What do you mean by a contributor?—I believe he signed a power of attorney authorising his name to be put to the deed of settlement.

3109. Did that profess to be a charitable institution?—No, it did not; I believe Lord Ducie was induced to belong to it from benevolent motives.

3110. You suppose that he was deceived?—There can be no doubt about that. The official manager told me that he thought the claims would be 18,000 *l.* or 20,000 *l.*, and they will fall upon the shareholders, who are few in number.

3111. Mr. *Chambers.*] Are those claims of creditors or policy holders?—Chiefly creditors; I have heard of only two or three policies that have become claims.

3112. *Chairman.*] These are all offices which come under the head of frauds, obtaining money upon false representations, in the same way as Joseph Ady or anybody else has done?—Certainly.

3113. Mr. *Chambers.*] It is one mode of swindling?—Yes.

3114. *Chairman.*]

3114. *Chairman.*] Do you think these frauds have been at least facilitated in consequence of the Act of 1844?—I do.

3115. You think the ability of these persons to write themselves up as "incorporated by Act of Parliament," has afforded a facility for committing these frauds? I think it has.

3116. Do you think that that Act is defective in any particular way, which has increase that facility?—I think it is very defective.

3117. Will you state in what respect you think it is defective?—I think, in the first place, the registrar ought to have the power to compel every office to return a copy of their accounts; it is unfair that a company which is honestly and fairly conducted should return its accounts, while the one founded in fraud should return no accounts, and the Act of Parliament does not give the power of enforcing the return; there is a large number of companies that have made no returns at all.

3118. You think it would be an improvement of the Act if the registrar had such a power?—I think it would.

3119. Mr. *Sotheron.*] Do you think it would be better to have no Act of Parliament at all upon the subject?—No; I think it would be much better to have the Act amended, and rendered effectual.

3120. *Chairman.*] If the Act be amended in every possible way, and made as effectual as legislation can be, what protection would it give to the public against the fraudulent pretence you have spoken of, by the use of the name of the Act?—I think the Act should give the registrar the power to indict parties so acting.

3121. If a party swindles or commits a fraud, by obtaining money under false pretences, is he not liable to an indictment at common law?—I have tried every means to obtain a public prosecution, but I have never yet succeeded.

3122. I suppose you have had a difficulty in obtaining evidence?—No, I have not had much difficulty in obtaining evidence.

3123. You do not mean that an indictment would not lie at common law?—I have been told by several gentlemen that an indictment would lie, but I had not myself the power of indicting them, not being a shareholder or a policy holder.

3124. Therefore it is that no person has prosecuted?—Yes, I presume so.

3125. But you do not doubt that if persons were to come to me, or to any one else, and obtain premiums for assuring my life, under the pretence that they were "incorporated by Act of Parliament," and it turned out that they were not, they would be amenable to an indictment at common law, for obtaining money under false pretences?—I should think they would.

3126. Mr. *Freshfield.*] Is it not a condition precedent to an office doing business, that it should be completely registered, and would it not be a misdemeanor to do business without being registered?—It would; the Act of Parliament at present provides that "each director shall hold, at least, one share in the capital stock of the company, and that if without having such share, any person should act as director, he shall forfeit for every such offence, 20 *l.*" I know a number of directors who do not possess the necessary qualification, and the registrar has not the power of enforcing the penalty. My impression is that the qualification for a director should be at least 500 *l.* paid up in a proprietary company.

3127. Mr. *Mullings.*] Does anything occur to you in the nature of a general provision, in any future Act of Parliament, for securing the public against these frauds?—I think a better form of account should be rendered than is returned at the present moment; for instance, here is a balance sheet of the "Anchor Life Assurance Company":—

BALANCE SHEET of the * * * * * * Life and Fire Assurance Company, from the 1st of October 1849 to 30th September 1852.

RECEIPTS:	£.	s.	d.	EXPENDITURE:	£.	s.	d.
Total receipts, as per cash book	65,799	11	11	By total expenditure and investments, as per cash book	65,799	10	11

LIABILITIES:	£.	s.	d.	ASSETS:	£.	s.	d.
To liabilities - - -	109,715	15	1	To assets, including balance at bankers - - -	109,715	15	1

3128. That

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3128. That is merely an account on paper which shows you nothing of the particulars of the assets?—It shows you nothing.

3129. Including in one sum the total expenditure and investments?—Yes; I have three or four similar instances taken from the returns to the registrar. I have also four other accounts of old assurance companies, which I consider are made out in a clear and intelligible manner, and which I beg to hand in. (*The same were handed in.*)

Vide Appendix.

3130. Mr. *Mullings.*] Could any form of account be devised, by which, if parties were so disposed, they might not deceive the public and the registrar?—I think some general form of account might be laid down.

3131. What means would you have of testing the account; would you give power to any public officer to test the account in any way with reference to its genuineness?—Yes; I think power should be given to a public officer to call for books, papers, and documents for the purpose of testing the truth of the returns made to the registrar of joint stock companies.

3132. Is that a power you would feel disposed to give to the Government with reference to voluntary associations dealing between themselves and the public?—Yes, certainly.

3133. A Government auditor?—Yes; I find that the new offices, by way of justification of their reckless expenditure, assert that the old offices were just as extravagant in the earlier periods of their existence; this I do not believe to be the fact. I have taken a number of offices, and I will select one or two as an example. I take the first year's expenditure of three offices, viz.—

	The Professional, Founded 1847.	The Scottish Provident, Founded 1837.	The Scottish Equitable, Founded 1831.
		(20 Months.)	
	£. s. d.	£. s. d.	£. s. d.
Premiums received -	571 9 2	2,081 17 6	2,368 - -
Expenditure - -	5,000 - -	392 1 7	337 - -

I also give an account of the expenditure of the Professional at the end of its third year, and also the expenditure of the Westminster and General Life, founded 1836, at the end of its third year.

[*The same were handed in, as follows:*]

	Professional.	Westminster and General.
	£. s. d.	£. s. d.
Postage - - - - - - - - -	218 6 5	8 5 11
Advertisements - - - - - - - -	942 12 1	99 10 -
Printing, stationery, &c. - - - - - -	1,340 16 6	15 11 6
Commission - - - - - - - -	1,315 10 10	126 2 11
Policy stamps, &c. - - - - - - -	286 4 6	76 6 -
Medical fees - - - - - - - -	180 2 6	1 1 -
Law charges - - - - - - - -	1,113 7 7	—
Wages - - - - - - - - -	326 13 6	—
Salaries, &c. - - - - - - - -	3,214 7 0	534 - -
Rent and taxes - - - - - - - -	875 5 7	150 - -
£.	9,853 6 6	1,009 17 9

I find that the total receipts of the Friends' Provident Institution, during 19 years that they have been in existence, amount to 602,058 *l.* 2*s.* 1*d.*; the total expenses of the management of this business amounts only to 14,153*l.* 18*s.* 7*d.*, being

being an average of 744*l.* 18*s.* 10*d.* per annum. The Scottish Widows' Fund, The National Provident, The Standard, The Mutual, The Scottish Amicable, The Edinburgh, and many others of the old offices have been equally moderate in their early expenditure, while the contrary has been practised by offices founded since 1845. In a recently established fire insurance company, out of the 25,000*l.* received in the form of capital and insurance premiums, all that is left is 2,000*l.* in cash; about 2,000*l.* in loans, 2,000*l.* in investments, and 1,500*l.* in the hands of agents, with a small sum or two besides. The position therefore of this company is, that they have received from the public, in the form of capital and premiums, about 27,000*l.*, out of which the public have been paid back 3,000*l.* for fire losses. The remaining 24,000*l.* was thus accounted for: office expenditure, 16,000*l.*; balance left in one shape or another, in different parts of the world, 8,000*l.* Hence, putting the recent fire loss at Montreal at 18,000*l.*, the company had got rid of every shilling of its capital and premiums, and are 10,000*l.* in debt besides.

3134. *Chairman.*] The result of your observation is, that the expenditure to create a new business now is much greater than it was formerly?—Yes; I think at present it is extravagant in the extreme, from the effect of competition; in particular, competition has been the means of increasing the rates of commission in many instances, more than the premiums usually charged would justify; first, on annuities, a class of business almost entirely abandoned by the older assurance offices as not profitable; many of the modern offices allow 1½, 2, and 3 per cent. commission. From the prospectus of an annuity society, I glean that they allow 15 per cent., and this, too, in the face of the Act of Parliament on annuities, which specially provides a penalty for any person paying or receiving more than one-half per cent. While speaking on this subject, I may add, that there are offices granting annuities at rates equally as high, and at some ages higher, than those charged by the late "Independent West Middlesex." Commission on the sale of shares must, I think, make a sad inroad upon the capital of modern companies, who pay 10, 15, and (as appears from a letter I have already put in) 25 per cent. Commission on commuted life premiums was formerly very generally paid at the rate of 15 per cent; the effect of competition has increased these rates to 35, 40, and even 50 per cent. I will take, from some letters I have before me, two or three examples, in order that the Committee may see that offices are paying much more than the amount which, until recently, was considered safe, viz., 5 per cent.; the first is from a recent life assurance company:

I beg to enclose you a prospectus of the B. Life Assurance Company, which entertains proposals on lives declined by other offices. Since some of the old established companies entirely decline to assure lives which are not of the very first class, you may, perhaps, have experienced disappointment in the rejection of business by the society you represent. The B. Life Assurance Company undertakes to accept such lives with a moderate extra premium proportional to the additional risk. The company grants policies, also, against any illness, or accident, entirely disabling the assured. Any proposals you may think proper to submit, shall receive the most careful consideration.

The commission will be 20 per cent. on the first year's full annual premium, and 5 per cent on the succeeding yearly premiums.

Another instance is that of a Life Assurance "Annuity and Family Endowment" Office. The secretary in this circular to agents says, "I have the pleasure to inform you that the directors, taking into consideration the great importance of strengthening, as speedily as possible, the union between this association and its agents, by giving them an interest in its success, have decided on granting a commission of 20 per cent. the first year, and five per cent. thereafter, in lieu of the ordinary rate of commission effected by an agent on his own life, or on the lives of other parties, in whom he may have a pecuniary interest. London, 19th May 1851." One modern office, established within the last two or three years, pays an agent 10 per cent. commission, and five per cent., to be continued during the survivorship of his wife and two daughters. Medical fees have also increased with the march of competition, a recently established company having taken the lead by paying the medical profession a fee of two guineas for each report. Other offices are now following this example. I have here a circular, dated January 1853, from an office established in 1846, headed—

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MEDICAL FEES.

Many gentlemen of the medical profession having an objection to receive a commission on business introduced by them without the intervention of an agent, the directors of this society, anxious to meet the views of the profession, have come to the resolution of allowing the following medical fees in all such cases, viz., 1 *l.* 1 *s.* under 200 *l.*; 3 *l.* 3 *s.* for 200 *l.* and under 500 *l.*; and 5 *l.* 5 *s.* for 500 *l.* and upwards.

The directors trust that this arrangement will be satisfactory to the profession, and secure your influence and active co-operation in favour of this society, but they will of course continue to pay the usual medical fees and commission in all cases where preferred, as heretofore.

I take the liberty of enclosing prospectus and proposal form, and shall have great pleasure in forwarding a further supply and any other information you may require.

I have also a circular from an office, which states that it pays "a handsome commission on the premiums received;" further, that

"A friend much interested in the welfare of this society, having recommended you to the directors as a gentleman of great industrial energy, and one well calculated to act as an agent and correspondent for our institution, wherever your influence and industry may extend, I take the liberty to inquire if such an appointment would be consonant to your inclinations, as well as suitable to your other engagements, and whether we may have the advantage of attaching your good offices and energies to our interests."

This is an extract from a letter that was sent by post to the addresses of almost every name to be found in the Edinburgh Post-office Directory; and in this case the effects of competition appear to have tempted the secretary to overstep the limits of truth, for it is not likely that any "friend" would recommend a director, manager, or secretary of a Scottish life office, to become the agent of a newly started London assurance company, notwithstanding that it was "incorporated by Act of Parliament, with a guaranteed capital of 50,000 *l.*" The fact is, that in sending the circulars, they forgot to omit the gentlemen connected with the Edinburgh assurance offices.

3135. Mr. *Cowan.*] That circular was sent to the managers of the Scotch assurance offices?—Yes. Another defect in the Act of Parliament appears to me to be the want of power in the Registrar to reject clauses in the deeds of settlement which I think ought not to be admitted. For example, clauses are inserted providing that certain persons shall be managers, and that they shall be paid fixed salaries. I have a deed before me, dated 1848, in which it is provided that the manager's salary is to begin at 500 *l.*, and rise to 1,000 *l.* per annum, while he is privileged to possess a policy of 1,000 *l.* without premium, on any life he shall name, between the ages of 40 and 50, and a further sum of 1,000 *l.* at the first division of profits. The actuary's salary is to commence at 300 *l.*, to be increased to 500 *l.* a year; he is also to have a policy for 1,000 *l.*, similar to the manager's, and the further sum of 1,000 *l.* at the first division of profits; while the directors, by their deed, are entitled to take a sum not exceeding 2,000 *l.* a year for their services. By a clause in another deed I find, subject to a resolution of the shareholders, that the projector and chairman is entitled to receive 2½ per cent. on the subscribed capital; and by another clause he is, subject to the same authority, to have 5 per cent. on the profits for 28 years certain, and for as many more years as he might happen to live. In another deed I find a clause to the following effect: "That the said A. B. shall be the manager of the company, and be allowed a free policy on his life of 2,000 *l.*, payable out of the funds of the company; the salary of the said A. B. to commence at 400 *l.*, with an addition of 4 per cent. upon the premiums until the salary shall amount to 600 *l.*; 3 per cent. until the salary shall amount to 800 *l.*; and 2½ per cent. until the salary shall amount to 1,000 *l.* per annum; and that 450 *l.* be paid to the said A. B. for preliminary expenses, in three yearly instalments."

3136. Mr. *Chambers.*] Do you object to that?—I do object to it.

3137. And to the others?—I do.

3138. *Chairman.*] Does not the last clause you have read make the salaries of the chief officers depend somewhat on the success of the institution?—It certainly makes the salaries somewhat dependent on the success of the institution.

3139. Do the other deeds you have mentioned provide for a life policy to the manager?—The first I mentioned provides for a life policy for 1,000 *l.* to the manager, and a similar policy to the actuary.

3140. Is it absolutely provided in the deed that the party named shall be the manager

manager?—Yes; I have known instances where, for the character of the company, it has been thought necessary to get rid of the secretary, and they have, in consequence of a clause, been compelled to submit to his retiring upon his own terms.

3141. Then the directors have no power to remove him?—No, unless there is some other clause giving that power; I had not time to look through the deed.

3142. Mr. *Chambers.*] You did not see any clause giving a power to dismiss?—No.

3143. Is that customary?—Not in all the deeds.

3144. *Chairman.*] The party named as manager is generally the promoter of the office?—That is very often the case. In justice to the modern offices, I think it right to state, that these things have occurred before; I have here a deed, dated February 16th 1838, in which the following clauses appear:

51. That as a remuneration to the said A. B., for having originated the plan for forming this society, and for the important services rendered by him in effecting the establishment thereof, and in forming the business thereof, he shall be entitled to receive, and the court of directors shall cause to be paid out of the funds and property of the society in addition to, and altogether exclusive of any salary or allowance as director or chairman, and of any interest or dividend upon or in respect of his shares as a proprietor in the capital stock of the society, and of the sum of 5*s.* per share hereinbefore provided to be paid to him for the preliminary expenses of the society, to him, the said A. B., his executors, administrators, and assigns, during the term of his natural life, or for the term of 28 years, to be computed from the date of these presents, in case the said A. B. shall depart this life before the expiration of that term, a sum equal to 5*l.* per cent. upon the net profits actually received by the society, upon all its departments of business, as and when the same shall be declared, and calculated and estimated as hereinafter provided for; but the said A. B. shall on his part, in consideration thereof, aid to the utmost of his power in establishing and increasing the business of the said society; and if he shall become directly or indirectly employed by, or concerned for, or interested as director, officer, or shareholder, in any other life assurance society, or any similar society or company, not connected with this society, within the United Kingdom, without the consent of a general meeting of this society, then and in such case such remuneration shall thenceforth cease and determine.

52. That the said A. B. shall not be liable to go out with the other directors, but notwithstanding his rotation shall have arrived, he shall continue to hold his office of director and of chairman, without any re-election, and as if he had been duly re-elected thereto, unless he shall be removed from his said office of chairman and director by a special general meeting, duly called for that purpose, and in which case another director shall be elected in his stead; but notwithstanding any such removal, he shall continue to be and to sit, and vote as a director, in addition to the directors elected by the society, so long only as he shall continue to hold and be entitled to such interests in the profits of the society as aforesaid.

55. That for the said preliminary expenses, the said directors shall cause to be paid to the said A. B., his executors and administrators, the sum of 5*s.* per share, as well upon or in respect of every share hereafter to be subscribed and paid for, provided that the said A. B., his executors and administrators, shall not be entitled to the said sum of 5*s.* on more than 50,000 shares.

3145. Was the gentleman named in that deed the originator and getter-up of the company?—He was.

3146. Mr. *Mullings.*] If a body of gentlemen forming themselves into a society for the purpose of getting assurance business, think it prudent to submit to conditions of this kind, how would you propose to guard against or remedy such things?—Almost all modern assurance companies are got up by the projector or projectors and a solicitor, and the deed is drawn first, and the directors are fitted to the deed, not the deed to the directors. I believe, in many instances, they never look at the deed, or make any inquiries beyond ascertaining the extent of the remuneration that will be given to them as directors.

3147. Mr. *Sotheron.*] As you would apparently prevent such provisions from appearing in the deeds of settlement, can you suggest any mode by which they might be rejected in future?—I think the registrar or some other Government officer should have the power of rejecting all clauses of that description in the deed of settlement.

3148. *Chairman.*] Should the registrar not be enjoined to do it; should it not be part of his duty under the Act, and should not the Act provide that no person whatever should have any charge under a deed of settlement upon a company beyond a salary for the services which he would give to such company?—Certainly. Even salaries should be fixed at a meeting comprised of not less than

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20 shareholders, not directors. I know of an instance where the deed provides that the business of the company may be transacted if six shareholders are present; and I have seen, at a meeting of this company, the annual accounts passed and large sums of money voted, with but one shareholder in addition to the directors being present.

3149. Mr. *Sotheron.*] Supposing that such powers were granted to the registrar, and he were to strike out any such clauses as you consider objectionable; do you not think that in some indirect way an equally objectionable kind of remuneration would be liable to be given to such parties?—I think not so liable.

3150. Do you think that any authority of any officer, or of any Act of Parliament whatever, can prevent individuals, if they choose to agree to such clauses, from doing so?—Unless it were done by a clause in the deed, it must be agreed to at a general meeting; and I do not think that any meeting of proprietors or policy holders would sanction such a thing.

3151. Mr. *Mullings.*] Would they not charge them as preliminary expenses for instance?—I think if they had a large body of responsible shareholders, they would not pass such resolutions.

3152. It seems that parties get up these offices, and that the shareholders, who sign the deed, know very little of the matter?—That is the case; I do not believe that one in a hundred even reads the deed he signs. I always ask every shareholder I meet with if he has read the deed he signed, and never yet was answered in the affirmative. Deeds are very rarely printed for the use of the share or policy holders. The only instance I know of is that of the Scottish Provident Office, where they make it compulsory with every policy holder to take a copy of the deed of constitution, and he is charged 1*s.* for it. This should be done in all offices.

3153. Mr. *Sotheron.*] Admitting that the clauses are objectionable, the question is, whether you can suggest any mode by which, practically, the shareholders might be secured against the same thing being done in some other way by the parties who get up these offices?—I cannot suggest any legislative measure; I think the best security is in the characters of the promoters and directors of offices. It is very desirable that they should be in the hands of a better class of men. I may state that out of 70 offices registered last year, 114 promoters were concerned, who, from their previous occupations, were not likely to understand the business of life assurance. Their qualifications were thus divided: of "gentlemen" there are 30; and of "esquires," 10; of merchants, 10; and actuaries and secretaries, 12; of barristers, 6; and of solicitors, 8; of surgeons and warehousemen, 3 each; and there is an "author," and a "shoe manufacturer," a doctor of divinity and a grocer, an artist and an M.P., a civil engineer and a baronet, a bullion merchant and the manager of a life office, an architect and a life assurance agent, a calico printer and a marble merchant, a cabinet-maker and a manufacturer, a printer and a farmer and grazier, an irom-merchant and a provision-merchant, a sharebroker and a publisher, a naval pensioner and a shipowner, and a builder and a lieutenant-colonel.

3154. *Chairman.*] Could they not be made illegal by the Act of Parliament, so that future directors, if they discovered that such clauses had been inserted in the deed, would not be bound by law to give effect to them?—Yes, I should think so.

3155. Do you happen to be aware that, in relation to one of the largest and most successful banks at the present time, a clause of that description was inserted in the deed, and that many years afterwards the person who promoted the company in the first instance, and drew up a deed of that description, had during his life a certain per-centage on the profits of the bank?—Yes, I am aware of that; I have the account before me; it was The National Bank of Ireland.

3156. Mr. *Sotheron.*] Supposing the members of that company, whatever might have been the number when it was originally constituted, and when these objectionable clauses were agreed to, had to subscribe a large sum before they were allowed to have any legal standing whatever as a company, would not that, to a certain extent, be the means of preventing such things?—I think that would be a very excellent remedy.

3157. The object of the question is this: I understand you to agree with what has been suggested, that it is impossible by an Act of Parliament, or a Government officer, to prevent parties, who choose to do so, from introducing objectionable

able modes of remuneration into their deeds of settlement; do you not think, generally, that the best mode of preventing any such objectionable clauses will be to require from all the parties who chose to enter into these associations the deposit of a large sum of money?—I think so. There is a clause in the Act of Parliament which requires that the books shall be open at all reasonable times for the inspection of the shareholders, "subject nevertheless to the provisions of the deed of settlement, or any bye-law." I think the latter portion of this clause should be omitted in any future Act. I know an instance of a company who stated that they had 30,000 *l.* paid up; while the whole of the shareholders were fictitious, with the exception of some 12 or 13. Some of these gentlemen waited upon the manager, and demanded to see the books, as he had stated that the cash was deposited at the bankers. He produced a mass of books, but, upon inquiry being made for the banker's book, he stated that the deed of settlement would not permit him to produce that book, unless at a special general meeting called for that purpose; and it was found, by a clause in the deed of settlement, that all books were to be open for inspection, except the banker's book, journal, and proprietors' ledger. I find further, in the same deed, an equally objectionable clause, viz., "That the directors have full power and authority to borrow monies to the extent of one million sterling; and that the directors shall have power to pledge the credit and capital, mortgage the property and effects for securing the repayment of such loans and interest, in such manner as they shall in their absolute discretion think most proper and advantageous; and that the money so borrowed shall be employed, until the repayment thereof, in manner hereafter provided." I am speaking of deeds of assurance companies only.

3158. *Chairman.*] Have you any other suggestions?—I would suggest that all companies should be compelled to return yearly to the registrar, or some other officer, an account of the receipts and expenditure, liabilities and assets, according to the clearest and best form of account that, on consideration, could be laid down; these accounts to be open to the inspection of the public, and that a public officer, actuary or accountant, be invested with power to call for and inspect any or all of the books of the company, for the purpose of testing the accuracy of these returns; and that, should the officer find any mis-statements, and consider that the company is pursuing a course, by excessive expenditure, bad investments, or any other cause that would be likely to prevent them meeting their future engagements, then that he should have the power to refer the case for the consideration of a Board of Actuaries, consisting of not less than three persons, paid officers of the Government, and in no way connected with assurance companies; and on their confirming the inspector's report, the Government to have the power of closing the office.

3159. Mr. *Mullings.*] Would you give a power to the registrar to reject periodical accounts that may not give the required information, and to call for fresh ones?—Yes, most decidedly.

3160. Mr. *Chambers.*] Why so; does the registrar know anything about assurance accounts?—There should be a proper person connected with the office, who should understand the accounts.

3161. Does the registrar know anything about the accounts of an assurance office?—There should be a fixed form of account laid down.

3162. You object to the form in which the accounts have been rendered hitherto?—Yes; they can scarcely be called accounts. I have given in some specimens of what I consider good forms of accounts.

3163. You object to the terms and conditions of the contract upon which the company is formed in the cases you have been speaking of, viz., the deed of settlement?—Yes.

3164. And you suggest that the payment of a sum of money by way of subscribed capital, would be a very good security for the public?—I think it would.

3165. You suggest also that the expenditure of some recent assurance companies has been greatly too large?—I think it has been extravagant.

3166. Can you suggest any Parliamentary mode of meeting all these objections of yours, except this, that by Act of Parliament the terms of the contract, the amount of subscription, the salaries of the officers, the tenure of their offices, and many other things, should be prescribed, and the contract made, not by the parties themselves,

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themselves, but by the Act?—I think if each of the shareholders had a stake in the company to the extent of at least 100 *l.*, paid up, you would not find such extravagant expenditure as you do at present.

3167. I call to your recollection the cases you have been citing to us as examples; taking those cases, what security would the public have had, supposing upon all those fictitious shares it had been stated that 100,000 *l.* had been paid up?—I should propose that a portion of the capital should be placed in the hands of Government as a security to the policy holders. With respect to the fraudulent cases I have mentioned, if the registrar had the power to inquire into the character of the promoters, and to call upon them to give some security to the public, when his attention was drawn to the facts, a great deal of the mischief would have been prevented.

3168. We are dealing with some cases of plain swindling and fraud which you have been giving us, and I test the value of your suggestions by seeing how they would have operated in cases like those: take the suggestion as to a paid-up capital; the statement of a paid-up capital would have been no security to the public, in addition to the other false statements you have shown us, would it?—No, not the statement; but if they had had a body of responsible shareholders to fall back upon, it would have been a security.

3169. If an Act of Parliament can prevent all swindling, if an Act can prevent fictitious shareholders, with fictitious names on the deed; if an Act can prevent a false statement that a company is registered, and in existence, with false names and addresses of parties who are said to belong to it, have you any suggestions to offer by which the Legislature can meet such cases?—I have already stated, that I think an officer should be appointed to inquire into the characters and responsibility of the parties who have executed the deed, and that a list of the shareholders should be publicly advertised before the deed is delivered up to them.

3170. Have you found in the case of any life assurance society completely registered under the Joint Stock Act, that the public have been defrauded by their policies not having been paid?—In The Independent, The Tontine, The Counties Union, The Sea, Fire, Life, and The Reciprocal Life Companies, there are life policies remaining unpaid.

3171. Are those offices that were completely registered under the Joint Stock Act, and that carried on business?—Yes; their are also claims against companies not registered.

3172. By The Independent do you mean The Independent West Middlesex?—No; The Independent Assurance Company, of 15, King William-street, London-bridge, which was said to have a capital of 100,000 *l.* This company was founded in 1848, and is now winding up under the Act. The shares amounted to 2,070, but no deposit was paid on 543, nor the first call on 692. Having raised a capital of 614 *l.* only, and borrowed 1,000 *l.* from their bankers, the company commenced business. The petitioners alleged, that the affairs were managed in a costly and extravagant manner; that there was an unnecessarily large staff of officers, at unnecessarily large salaries; that the expenses of the company far exceeded its means; that the directors had liberal allowances, that policies were granted, and premiums payable thereon received; but the paid-up capital, and money borrowed, had been exhausted in carrying on the business; that the subscribers declined to pay the deposits and calls, while policies to the amount of about 3,000 *l.* have become payable, and others to a large amount have been daily expected to fall in, and there were no funds or assets to meet them. The company was brought under the Winding-up Act, in March 1850, and the calls at present amount to 7 *l.* 10 *s.* per share, in addition to the capital lost. The managing director, Mr. W. Holt, is now passing through the insolvent debtors' court.

3173. *Chairman.*] Was there a paid-up capital in the case of The Independent?—There was a paid-up capital to the extent of 614 *l.* The shares were 5 *l.* each, upon 614 of which a deposit of 1 *l.* was paid, and the calls at present amount to 7 *l.* 10 *s.* per share.

3174. How long was that company in existence?—I think, two years. They made no return to the registrar.

3175. It was an unsuccessful, not a fraudulent company?—There were some very respectable directors connected with that office.

3176. Mr.

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3176. Mr. *Mullings.*] The paid-up capital was exhausted?—Yes, all that was paid up.

3177. With regard to the claims still unsatisfied, there are shareholders liable, and ultimately those claims may be satisfied?—Yes, they may be satisfied.

3178. In what way are such large sums expended in these offices?—In director's fees, which in some offices amount to from 1,000 *l.* to 2,000 *l.* a year; in the expenses of travelling agents, which amount to 300 *l.*, and in some instances 1,000 *l.* a year, and by their reckless expenditure generally, which will be seen from the returns laid before Parliament.

3179. *Chairman.*] Would it not be a great improvement upon the present state of the Act, if the registrar had the power, on its being called to his attention that irregularities were existing with reference to companies, that either were carrying on business, being only provisionally registered, or were carrying on business without having complied with the Act, or in a manner contrary to the Act, to interfere either by advertising the public of the fact, or in some way to stop the business of the office?—I think so; I think that would be a very great boon to the public.

3180. At present the Act imposes a certain number of restrictions, and there are no means of insisting on those restrictions being observed?—Exactly so.

3181. Have you any other observations to make to the Committee?—I wish to call your attention to a statement made by a witness before this Committee. Mr. Colvin stated that the life assurance companies had no check upon the registration office with reference to the return of their accounts, or other documents, for the officers always refused to give a receipt for any paper returned by a company. Mr. Colvin stated, that when he applied for a receipt they refused to give him one, alleging that the Act of Parliament did not empower them to do so. Now the 15th section of the Act requires the registrar "Upon demand, to cause an acknowledgment of the receipt of such returns or documents to be given to the person by whom the same shall be so brought;" and I have the authority of the registrar to state that the clerks have instructions to comply with this clause, and I believe they have always done so.

John David Fitzgerald, Esq., a Member of the House, Examined.

J. D. Fitzgerald, Esq., M.P.

3182. Mr. *Ball.*] YOU are a Queen's Counsel at the Irish bar?—Yes.

3183. You have been in extensive practice for some time on the Munster circuit?—Yes.

3184. It has been stated by a witness before this Committee that, "No doubt there is danger in the first years of an office that bad lives will get in; and that danger is so much increased in Ireland, that the most prudent offices decline to assure at all, because in the Courts in Ireland no proof is required that a proprietor of a policy had any interest in the life; and I have seen myself, in a Limerick newspaper, six policies advertised for sale, where a probable account was given of the condition of the lives; it was stated that they were expected every day to die, in order to enhance the value of the policies. It is one of the great evils of that country, which prevents accumulation in that country (and I am glad, with the permission of the Committee, to have this opportunity of stating it), that the Courts in Ireland do not require any proof that the party assuring a life has any interest in the life; hence the danger of personation, and of bad lives being accepted. When the life proposed for examination is not actually the person interested, the danger of concealed disease is very great; so much so, that I would conscientiously advise any office with which I am connected to abstain from assuring in Ireland altogether until the law is altered; at least the administration of the law, for it is the administration of the law, I suppose; I imagine that the law itself is the same as in England." Can you state to the Committee whether, in point of fact, the law upon this subject is the same in Ireland as in this country?—The law in Ireland is the same as in this country, save in one particular, viz. that the statute of the 14 Geo. 3, which is in force in this country, is not in force in Ireland; that is the only difference.

3185. Perhaps you will state the difference in the law created by the Act of Parliament?—The difference created by that statute is, that in this country what

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are called wagering policies are prohibited; they are not prohibited with us, and unless the contract of assurance requires it, no proof of interest is necessary. It is open to the office to require that the party effecting the policy shall have an interest in the life, otherwise it is not necessary; that is the only difference in the law.

3186. Has it come to your knowledge that considerable litigation has arisen in Ireland in consequence of policies of that description being effected?—A great deal of litigation has arisen in Ireland upon life policies; a great deal indeed; but I should not attribute it at all to that difference in the law, because the actions have usually been in cases to which that difference would not apply. They have usually been where parties have effected policies upon their own lives (and every man has an interest in his own life), and then the policy has been assigned to a third party. I think the litigation has arisen from a totally different cause. I will take the city of Limerick, which has been alluded to as an example. In almost every circuit I go there is considerable litigation there, which arises from this:—There are a number of English offices there; I have heard it stated by a witness that they have appointed 60 or 70 agents; I have also heard it stated, and proved before a jury, that they pay these agents by a commission on the business they do; these again employ sub-agents, and the result is, that every one who represents an assurance company has an interest, not so much in effecting good business, as in the amount of business he does. From hence has grown up the litigation. A man in the humblest circumstances is induced, without any legitimate object, to assure his life, and he immediately goes round to all the public-houses; and I have heard it proved, that a few hours after a man has effected a policy on his own life, he has sold it for a guinea and a hat.

3187. Had he paid the premium?—Yes, and of course he got the premium returned; the only advantage he derived from assuring his own life was, that he got the guinea and a new hat.

3188. Mr. *Cowan.*] What class of persons is it who pay for these things?—People speculating in assurances; we have at this moment a Limerick case before the House of Lords, arising out of an Irish life assurance.

3189. *Chairman.*] Does the person who purchases the policy generally pay the premiums?—He speculates that the life will not be a good one; they seem to take that for granted; in the case I have alluded to, the party speculated upon that.

3190. Mr. *Ball.*] Is it your opinion, from the existence of the great competition you have described, and the desire of the agents to obtain business without being careful as to the nature of it, that the present state of the law is objectionable; would you desire to see the English statutes extended to Ireland?—I should desire to see all merely speculative assurances put an end to; but I do not see how you can effectually provide against that by law; for instance, if you were to extend the 14th Geo. 3 to Ireland, it would be a very ineffectual check.

3191. *Chairman.*] You have stated that the offices in Ireland substitute for the statute in force here a clause in the policy to prevent third parties from assuring, unless they have an interest in the life?—Yes.

3192. But is it not the fact that, from the great competition, policies are practically issued without such a clause?—I think that is so in a great many instances; I am merely stating my impression now from experience in assurance litigation. My own impression is, that the offices themselves too much encourage those assurances; they are not sufficiently careful, neither the office itself nor the agent; they do not make the proper inquiries; they trust to the probability of the policy being abandoned after several premiums have been paid, if the life turns out to be a good one; or they take the chance upon some question of misrepresentation, or otherwise, of successfully defending the claim. That result is very frequent in the South of Ireland; in fact, where a life has dropped, the company do not so much look back to what should have been done when they were effecting the assurance, as look round to see on what ground they can successfully defend an action.

3193. Mr. *Cowan.*] Are these English offices to which you have referred?—They are all English offices; there were three Irish offices in Dublin, but now I believe there are only two. I am not aware whether there is one at Belfast; there is no local company in Cork, Limerick, or Galway.

3194. Mr.

3194. Mr. *Ball.*] So that the litigation has been confined almost entirely, if not quite, to policies issued by English offices?—Yes; I have been 14 years on the Southern circuit, and I have only been in one case in which an Irish company was defendant, and I have scarcely gone a circuit in which I have not had two or three cases of that kind.

3195. *Chairman.*] Does not the practice of resisting claims in that way very much limit the amount of assurance business?—I do not think it does; there are some offices that will only effect a *boná fide* policy where the party has an interest in the life, and those who choose may go to those respectable offices who make inquiry at the time, and who do not look round for a defence afterwards; that is the course I should adopt myself; but those who make speculative assurances depend on the disinclination of juries, if there be any defence, to give a verdict for an office. Juries are very much disinclined to find against the claim.

3196. What is the result generally?—A verdict against the company. I believe I was the first to break the spell by getting a verdict for one office, viz., the Church of England.

3197. That being the case, is it to the interest of offices to defend actions?—When they do they are almost uniformly defeated; they generally succeed in compromising cases. There is a Bill before the House at present, which, if passed into a law, will make policies assignable in Ireland. One objection that is made to that Bill is, that it ought not to take place till the law is the same in both countries.

3198. Do you happen to know whether those companies charge any higher rates in Ireland on account of the uncertainty of human life, or the other circumstances to which you have referred?—I believe human life is just as well protected in Ireland as it is in this country; I have known this. I have occasionally myself, in leading a particular case when addressing the jury, called attention to the fact that they charge higher premiums in Ireland than in England. I should state, also, with reference to an answer I have given as to the course pursued by offices; I do not mean that it is so generally; but I have known instances in which an assurance office found itself deceived, and immediately tendered the premium back, and refused to receive the premium in future.

3199. Deceived in the representations that were made when the policy was effected?—Yes; false statements having been made originally.

3200. Mr. *Ball.*] In the numerous cases that have come before you, has any instance occurred of a company refusing or failing to perform its engagements from insolvency?—No; in every case that I can call to memory at present, where the party recovered, the amount was paid; I do not recollect any instance the other way. I stated before, I could only recollect one instance in which a company had been successful, viz., The Church of England Company; there was another case of a very singular nature, in which a company prosecuted with effect a party at Cork, for fraudulently effecting an assurance; and I recollect the defendant was convicted, and he was fined 500*l.*, and imprisoned for six months. But with reference to the statement which you have read to me, I wish to observe, that it is quite a mistake to say there is any defect in the administration of the law; it is perfectly well administered, and exactly on the same principles as in England; and the English authorities have equal authority with us.

3201. *Chairman.*] Do you think it would be better upon the whole if the companies were relieved from the option of accepting assurances in cases where there is no interest in the lives, and the law made the same as in England?—I certainly think that would afford some check, but not a sufficient one.

3202. But at the present moment the competition is so great, that the option is seldom used?—Very seldom.

3203. You know no reason why there should be a difference in the laws of the two countries?—None at all.

3204. You think they should be assimilated?—I think they should be assimilated. I only say that I do not think that extending the statute of Geo. 3 to Ireland would sufficiently check, though it would in some degree impede the practice.

3205. You are aware that in England the same practice prevails as to the mode of paying agents?—I was not aware of that.

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3206. I believe I am correct in stating that almost the universal practice of paying agents is by commission on the amount of premiums which they receive; then would you suggest any reason why those abuses should occur from that practice in Ireland, when they do not seem to have occurred so much in England?—No, I cannot at the present moment, my attention never having been called to it. I merely stated what I had myself heard proved by witnesses on oath.

3207. Mr. *Ball.*] Has the evidence you have heard gone to show that in those cases of wagering policies there was a medical examination, or any means taken to secure that the life should be a sound one?—In all instances there is a medical examination. In one case I recollect, a case of some importance, it was suggested that the medical man was in league with the parties effecting the assurance; but except that single case, as far as I could form a judgment, the medical man has performed his duty fairly and honestly. I have always observed myself that it was a very easy thing to deceive them where diseases did in fact exist, but did not exhibit themselves externally.

3208. Mr. *Chambers.*] They were all cases, I suppose, where the lives dropped rather abruptly and unexpectedly?—If the life continues for five or six years, the company do not dispute the claim, but if it drops within that time, they do.

3209. *Chairman.*] Was there any evidence to show that those policies had been fraudulently effected at the suggestion of the medical man who happened to know the state of health of the person?—No, in no instance except in the one I alluded to; it was discovered, and there was reason to think that the medical officer of the company had received bribes to pass bad lives.

3210. Did the inducement to particular persons to assure others' lives ever come out in evidence; did they become aware that the life was a bad one, or one that was likely to fall in?—No; my impression is, that in most instances the party is put forward to effect an assurance on his own life by some persons who think it will be a good speculation; and then they repay him for his services; give him a small sum of money to assign the policy.

3211. Then he assures his life in the first instance, and then assigns the policy?—Yes.

3212. Mr. *Mullings.*] So that, though it was effected for a fraudulent purpose, in law it was a good policy?—Yes.

3213. *Chairman.*] That is, in fact, the very thing that a man might do here?—Just so.

3214. Though the state of the law is different, it has been done through a mode which might have been equally practised here?—Yes, unquestionably so.

3215. Mr. *Chambers.*] Except that you cannot do it without the concurrence of the party?—Yes; the general practice is as I have stated.

3216. Mr. *Ball.*] You have known other cases in which policies were effected by third parties?—Yes; there are many instances in which a man effects a policy on the life of another person.

3217. Mr. *Freshfield.*] Assuring his own life, he does not guard against a forfeiture of the policy by suicide?—That, I apprehend, depends upon the contract; upon what the condition of the policy may be.

3218. The policy exempts the office from loss by suicide where a man assures his own life, not where it is assured by a third party?—I am not aware how that is.

Jovis, 30° *die Junii*, 1853.

MEMBERS PRESENT.

Mr. Wilson.	Mr. Cowan.
Mr. Henley.	Mr. Muntz.

JAMES WILSON, Esq., IN THE CHAIR.

William Farr, Esq., M.D., called in; and Examined.

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3221. *Chairman.*] WHAT office do you hold?—I am at the head of the Statistical Department, in the Registrar-general's Office.

3222. Have you paid much attention to the construction of Life Tables, since it was considered by a Committee of the House advisable that information should be procured upon that subject?—Yes; in 1827 the Committee on the Laws respecting Friendly Societies, called attention to the insufficiency of the data hitherto collected, and the contradictory nature of the several tables founded on such data. Adverting to which, the Registrar-general, in his first report, stated that it would be desirable to collect information as to the mortality prevailing in every part of the country, and to put it into a shape such as might be used in life offices and friendly societies, to assist them in determining their premiums.

3223. Has that been done?—That has been done by the formation of Life Tables, first, on the census of 1841, and the deaths in 1841; and, secondly, on the deaths in the seven years, 1838-44; from which the premiums and values of annuities have been deduced for the public information. Some of these results were published in the Sixth Report of the Registrar-general. Others are now in preparation, and will appear in the Twelfth Report, which is now in the press.

3224. Those will be in the shape of new tables, constructed by yourself?—Yes; under my direction.

3225. Have you any observations to offer with regard to the progress of Life Assurance Offices?—On looking to the history of these societies, I see that the progress has been very rapid during the present century. Mr. Morgan, in his account of the Equitable, states that in 1779 there were but three offices, in addition to his own, viz., the Amicable, the Corporation of the London Assurance, and the Royal Exchange. At the same time there were several widows' funds. Mr. Bailey, an able writer on life assurance in 1810, mentions fifteen offices then in existence. In 1825, Mr. Babbage, in a very important work upon the subject, gives a list of thirty-two life offices as being the whole in existence at that time.

3226. Mr. *Henley.*] Is that in the United Kingdom?—Yes, I apprehend so; I think the greater part of the Scotch offices, except the Widows' Fund and one or two others, have been established since that period. In some of the evidence before this Committee, I understand the number at present is stated at 180: in other papers I have seen it stated at less. There has not only been an improvement in the quantity of business, but I think, from all accounts, even in the character of the business. Doctor Price described many of the societies which existed in his time for the relief of widows, or for the sale of annuities, as bubbles; and speaks of them in a very depreciating manner. To call them "impositions on the public, proceeding from ignorance, and supported by credulity and folly, is," he says, "too gentle a censure."

3227. At what time was that?—That was in 1769–1783; Doctor Price was one of the ablest writers on life assurance, and one who has contributed more to place the science on a sound basis than any other. The business was also of a speculative kind then, more perhaps than it is now; that is, lives were assured to cover debts, and not as a provision for families.

3228. *Chairman.*] Are you able to inform the Committee whether those societies which are termed "bubbles" by Doctor Price, proved to be so?—Yes; they failed to fulfil their engagements, and many of them were broken up.

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3229. I suppose, in those days the information was very imperfect for calculations of premiums?—Yes; that result arose partly from ignorance, and partly from fraud; but chiefly from ignorance, I imagine.

3230. The present number of offices you say is 180?—It is stated in the evidence, I believe, to be about 180. Mr. Neison, I think, engaged to give in a complete list, which perhaps will differ a little from that, but not very materially. He, I understand, makes the number of life insurance offices about 150.

3231. To what do you attribute the great progress which has been made of late years in these societies?—Information has been accumulating on the subject, and the first experiments, particularly that made by the Equitable Society, were remarkably successful. The Government, also, I think, has not thrown any obstruction in the way, but rather encouraged life assurance. Mr. Pitt's Income Tax Bill had a clause something like that, which has recently been introduced in the Income Tax Bill now before Parliament.

3232. A clause exempting persons' incomes to the extent of the premiums paid on their life assurance?—Yes; Mr. Pitt, in defending his Income Tax, in 1798, said, "There is one case which, with a view to that class who are really willing to save for the benefit of those for whom they are bound to provide, makes some modification. It is in favour of those who have recourse to that easy, certain, and advantageous mode of providing for their families by assuring their lives. In this Bill, as in the assessed taxes, a deduction is allowed for what is paid on this account." Mr. Pressley has been kind enough to give me the instruction to the collector, which is to this effect: "Persons making assurances on their own lives, or the lives of their wives, may also deduct the amount of the premium of assurance for the current year."

3233. Do you find, as a matter of fact, that that provision of the law did give much encouragement to the extension of life policies?—Life assurance made very rapid progress immediately after that announcement of Mr. Pitt, and after that clause came into operation. For instance, the assurances of the Equitable Society, in 1792, amounted to three millions; in 1800, to 3,900,000 *l.*; and in 1809, to 8,024,000 *l.*

3234. While in the ten years before that Act was passed, the business of that office had increased 900,000 *l.*, it had increased nearly 4,000,000 *l.* during the succeeding ten years?—Yes.

3235. Mr. *Henley.*] Have you the amount before 1792?—Yes; in 1784 it was 720,000 *l.*, and in 1774, 230,000 *l.* I should say that in 1781 the Equitable adopted Dr. Price's Tables, and Mr. Morgan appears to have taken the management of the society in hand.

3236. Is the increase, in the various periods you have named, regular, or does the per-centage of increase much vary?—It goes on constantly increasing.

3237. In what ratio?—From 1792 to 1800 the increase is about one-third, and in the next period the business of the society is doubled.

3238. Have you formed any opinion how far that increase is at all relative, or otherwise, to the increasing wealth of the country?—I believe the wealth of the country did increase at the same time, and the activity of the country, and also the population.

3239. Then perhaps the increase might not be wholly attributable to that cause?—Not wholly: at the same time a great number of new life offices were established, and the Fire Insurance offices began to insure lives.

3240. Had there been any indication to the public of the large profits that were then making by the Equitable?—Yes.

3241. That might be an element also?—Yes; the admirable manner in which on the whole the business of assurance was conducted by the Equitable Society, and its great success, was no doubt an important element in establishing the assurance business of this country.

3242. *Chairman.*] All you mean to say, with reference to Mr. Pitt's provision in the Income Tax Act is, that it was one of the many causes which brought the matter more fully before the public mind, and induced greater attention to that particular mode of saving?—Certainly; the notice of the subject by a man of Mr. Pitt's eminence, and the recognition of it by the Government, did a great deal to advance the assurance business of the country.

3243. Mr. *Cowan.*] Was there any restriction as to the amount of premiums, as compared with the actual income of the individual that was exempt under Mr. Pitt's plan?—The Act of 1806, 46 Geo. 3, c. 65, which remained in force during

during the war, restricted the allowance to cases where the income was under 150 *l.* That was after Mr. Pitt's measure had been in operation for some time. The allowance on account of children was also discontinued.

3244. *Chairman.*] Have you formed any opinion as to the general success of these offices?—My notion is, from all I can see, having examined most of the reports, and looked a little into the subject as far as the very imperfect data at our disposal will allow, that the general business of assurance in the country is sound.

3245. Do you consider, as a scientific person, that the experience of the country is sufficiently old and mature to come to an opinion upon that point?—No; I think we have no data to enable any one to determine positively the condition of more than a few offices. I speak merely of the general impression I have as to the character of the persons who are engaged in the companies, and the manner in which the business is conducted. The premiums, for instance, are sufficient to cover the risks in nearly all cases; some of the offices appear to be doing business on very low premiums; but there is nothing on the face of the prospectuses and papers of the greater part of the companies to indicate that the business is unsound.

3246. Is it your opinion that, provided the principles professed to be followed are honestly and fairly carried out, all the experience of the past, so far as it enables you to judge at all, would lead to the conclusion that the principles are sound, and that the ultimate result will be satisfactory to the public?—In the great majority of cases that is my impression.

3247. Mr. *Henley.*] I think you stated that there are no data to enable you to come to a conclusion as to the general soundness of the offices?—No conclusive data.

3248. Except in the case of two or three offices?—A certain number of offices.

3249. In those certain number of offices you have given facts and given results which enable you to come to a more certain conclusion?—Yes; the Equitable, I consider, is one.

3250. In that case the rate of premiums paid is known?—Yes.

3251. The rate of increase of profit, which has been made beyond the sum assured, is also known?—Yes.

3252. Those are certain data to calculate, in some degree, if not with perfect accuracy, the state of things where a less amount of premium is paid?—Yes; the Equitable has published a form of account, which enables you to determine exactly the condition of that office.

3253. Then the same data would be applicable to any office whose premiums are not subject to a greater deduction than is shown in their published tables?—The other offices do not give you all the data which you require. No other life office has followed the excellent example of the Equitable.

3254. But I understand you to say that the Equitable publish tables which show the amount of profit which has been made beyond the sum assured?—Not tables, but accounts, showing their exact position, the value of their liabilities, and the value of their assets.

3255. The result of those accounts would be to enable parties to form a pretty nearly accurate judgment, whether the rate of premium which they require is in excess or not of what is necessary to secure the payment of the sum assured?—Clearly.

3256. And the profit made would be somewhat in the measure of that excess, would it not?—The whole subject of the finance of life assurance is complicated by bonuses and other engagements which the societies make, in determining how the supposed surplus shall be disposed of.

3257. But assuming that the Equitable accounts are intelligible and plain, the amount of profit shown there, over and above the payment of the sum assured, would, if not perfectly, to a very great extent, show the measure of the premiums which had been taken in excess of what was necessary to secure the sum assured?—Yes; the premiums are notoriously overstated by the Northampton Tables.

3258. They would afford you data, at least, to judge whether the rates of premiums taken by other offices were or not on a sound basis?—Yes, and we have other data; the English tables to which I have referred enable us to see whether the premiums are or are not sufficient.

3259. Then the public have also that security, besides which it has a considerable amount of data to be found on the accounts?—Yes.

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3260. *Chairman.*] I think you have told us that the Equitable have formed a new scale of premiums, which, in their opinion, it would have been safe for them to have taken to have made their calculations secure, without profit?—They have constructed a life table, and they have given the premiums derivable from that table; they differ very little from those given by other tables.

3261. Independent of the premiums, would not other very important elements of management enter into the calculation, viz., the selection of lives, the amount of business the office could obtain, the general expenditure, and the rate at which they could employ their money?—Yes, the amount of business, the expenses, and the rate of interest.

3262. Would not those amounts be as important as the rates of premiums charged?—Yes.

3263. And therefore unless you had the whole of those accounts put together, you could not come to any accurate determination as to the condition on which it would be safe to conduct the business?—You require full statements of the whole of those elements in the account returned.

3264. Mr. *Henley.*] The interest of money must be matter of estimate; no man can tell what it would be for the future?—It is generally taken at three per cent. as a safe estimate.

3265. *Chairman.*] What prospect do you think there is of an increase of assurance business?—I think assurance business very probably will increase, both from the rate of progress hitherto, and from the fact that a great number of lives are uninsured; I think, also, there will be a tendency, probably, to assure at an earlier age, and that itself will make an enormous difference. If people began assuring at the age of 25, instead of 35, which is now the common age, it would nearly double the assurance business of the country. The clause in the Income Tax Act will, also, I think, act as a bounty on life assurance, and in that way will tend considerably to increase the premiums; for that portion of income will escape taxation.

3266. Has your attention been called much to the law of 1844, requiring the registration of these companies?—It has not been particularly called to the operation of that law; I have not had any special opportunities of observing its operation.

3267. Have you formed any opinion as to the defects in the law?—It appears to me that the returns under it might be very easily improved in character, so as to give all the information that is required to enable competent persons to decide whether the offices are in a sound state or otherwise.

3268. What would you suggest as the kind of information that is necessary for that purpose in the form of account or return?—The form of return which Mr. Ansell gave in, and which had been given in by Mr. Morgan before the Committee of 1844, would enable any one to determine the precise state of the society: I think the office should give the amount of assurances at each age, the premiums which the persons so assured engaged to pay: the return might also, very well, give the number of members admitted in the year, the number on the books of the society, the number of deaths during the year, the amount of capital invested, distinguishing the mode of investment, not very minutely, but in certain groups; the interest returned by that capital, and the payments upon deaths.

3269. Generally such a statement as has already been furnished to the Committee?—Generally such a statement.

3270. Would you prefer a general statement of that kind to any attempt to furnish a debtor and creditor account?—I should prefer a statement of that kind; and allow societies to send, in their own way, what they call a balance-sheet, in addition.

3271. Made out in their own way?—Yes; such a statement of their affairs as they draw up for the use of the directors or proprietors.

3272. Do you see any distinction between assurance companies and other businesses, which would justify the Government in requiring that that kind of account should be given with regard to assurance companies, when they do not require it with regard to other businesses?—Yes; there is an essential difference between these accounts; for instance, the ordinary balance-sheet, in the most correct form published, does not enable anyone, however competent, to decide on the state of an assurance society: the auditors' reports again leave the solvency of these societies quite an open question. The auditors, as ordinary accountants, are not competent to give a real valuation of the liabilities or assets of these societies.

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societies. I hand in a table, showing the state of a society which is supposed to be formed by 291 persons entering at the age of 35. You will observe, that for more than 35 years, the income derivable from premiums alone does more than pay the demands made on the society's funds, from the falling in of deaths, so that an assurance society may destroy the whole of its capital, which should amount to about a million in less than forty years, and yet its income would more than equal its outgoings; and that is not in a large society.

3273. You mean that an assurance society may go on, and invest no capital whatever from year to year, and yet have a sufficient annual income to cover the probable annual demands upon its funds?—Yes; after that time the payments on deaths greatly exceed the premiums; and it would, therefore require the interest of the invested capital in addition to the premiums, to meet the outgoings. That is a state of things totally different from the course of ordinary commercial concerns. The business of assurance may be conducted so as to bring it nearly into the shape of an ordinary mercantile account. It is so conducted in the case of fire and ship insurance. If the premium is made sufficient only to cover the risk for a year, it would be an ordinary account; at the end of the year an office would at once have an opportunity of seeing whether it had sufficient in hand to meet the claims on the fund. But that is not the way in which the assurance business of the country is carried on; it is nearly all carried on by uniform premiums, and the consequence is, that in the early period of an assurance office, the premium is more than doubly sufficient to cover the risk; so that a certain amount of the premium has to be set aside, that it may form a fund, the interest upon which, with the premiums in the later years of life, may pay for the assurance.

3274. Would it be somewhat analogous to this: a man, going to insure a ship on her first coming out of dock, and being classed as A 1, would pay, for an insurance for a single year, a very low rate of premium, and at the end of 10 years he would pay a higher rate of premium, if she were insurable at all; whereas, if he meant to insure the ship when she came out of dock for 30 years at an average premium for the whole period, the premium paid each year during the whole of that period would be more than enough for the first year?—Certainly.

3275. Therefore here the company puts aside, from the premium which would be necessary to insure against an ordinary risk for a single year, a sum sufficient to make up the deficiency in the fund analogous to what it would be for insuring a ship for a single year?—Exactly.

3276. Will you put in that table?

[*The same is delivered in, as follows:*]

VIEW of the PROGRESS of a LIFE OFFICE.

YEAR.	Annual Premium.	Payments on Deaths.	Excess of Income from Premiums alone.	STOCK.
	£	£.	£.	£.
0 - - -	2,910	- - -	2,910	2,910
1 - -	5,790	1,275	4,515	7,512
10 - - -	30,200	14,484	15,716	119,960
20 - - -	53,640	32,802	20,838	380,958
30 - - -	72,100	57,510	14,590	730,918
			defect	
40 - - -	83,530	90,312	— 6,782	1,031,077
50 - - -	87,750	116,298	— 28,548	1,167,276
60 - - -	88,330	123,540	— 35,210	1,189,700
Ultimate state -	88,340	123,670	— 35,330	1,177,667

Note.—It is sssumed that 291 persons enter the society every year at the age of 35, and for equal annual premiums of 10 *l.* insure 425 *l.*

The Table may be read thus: a society so constituted would, in the 30th year, receive 72,100 *l.* in premiums, pay 57,510 *l.* on deaths; it should have 730,918 *l.* under investment. In the 50th year the annual premiums (87,750 *l.*) would be exceeded by the payments on deaths (116,298 *l.*) to the extent of 28,548 *l.*, which would be more than balanced by the interest of the stock, 1,167,276 *l.* invested at 3 per cent. interest.

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3277. Then you show by that table that the accumulation of capital is an essential element in a life assurance office?—Clearly; the ordinary balance-sheet therefore presents a very fallacious appearance to persons not acquainted with that fact, as the income does and ought for many years greatly to exceed the outgoings.

3278. Then again, I suppose that it follows as a matter of course that a great deal must depend on the ages of the persons assured, the same as it would depend on the particular period at which the account was taken with reference to a ship insurance, as to the amount of capital which different offices ought to hold at particular periods for the existing demands, if they take the lives at different ages the amount they ought to hold would be quite different?—It would be different in amount; but the principle is the same in all cases.

3279. Therefore any account which could show the state of the office ought to have reference to the average period of the lives they have assured at that particular period?—Yes; the account ought to show the exact amount assured on the lives at each age. Another peculiarity in the finance of these offices is that they are constantly seeking investments for their money; the interest on their capital is paid in money, and their premiums are paid in money, so that they have never to dispose of securities; they are not driven to sell Consols or any securities they may possess at a disadvantage, unless the society is rapidly declining.

3280. Mr. *Henley.*] You have been asked, with reference to these offices, whether you think there is any reason why they should be put upon a different footing as to accounts from other societies under the registration which they enjoy, because I suppose it may be assumed that registration is a privilege, inasmuch as they get incorporation under certain limitations?—It appears to me it must be an advantage rather than otherwise.

3281. The commercial nature of an assurance company is this, that they not only get incorporation, but they are enabled by the terms of their policies to limit the risk in the way in which other incorporations under the registration law cannot limit themselves?—Yes; in mutual offices.

3282. In a mere joint stock company for carrying on any other concern, the proprietors have no other means, without an Act of Parliament, of limiting their personal responsibility?—No.

3283. An assurance company can, by the form of the policy to the party assured, limit the responsibility of the members to the amount of their shares?—I am not versed in legal matters, but I understand the shareholders are always liable.

3284. Is it not a common condition in these policies that the parties who pay the premiums shall only have the particular remedy specified in the policy?—Such a condition is frequently inserted in the policy.

3285. It is, in truth, a special contract which the party enters into?—Yes.

3286. Has it been held that that is of no avail?—In the case of Hallett and others *v.* Dowdall, 21 Law Journal, N. S., page 98, Q. B., the law as to the liabilities of shareholders in an assurance company is, I am informed, very accurately defined in the judgment delivered by the Judges in Error; and it appears that partners or shareholders may legally stipulate amongst themselves that each one shall be responsible only to the amount subscribed for by him, and that where any person accepts a policy with notice of this fact, he can only recover from the shareholders the amount of their shares that may happen to be unpaid; but where a party has no such notice each shareholder would be subject to unrestricted liability. On this ground, therefore, the insertion in a policy of the following clause would restrict the liability of the shareholders; but unless it appears on the face of the policy the case will be entirely different. This is the clause in question from a deed of settlement: "That the capital and funds of the said society, for the time being undisposed of according to the deed of settlement, shall alone be answerable for any claims under such policy, security, or contract; and that no director or member of the said society shall, upon any account or pretence whatever, be subject or liable to any demand in respect of such policy, security, or contract, further than to pay to the funds of the society the full amount of his obligation for the time being, in respect of his share or shares in the capital stock of the society." Such a clause is inserted, I understand, in many policies; which therefore give no right of recovery from the individual proprietors of insolvent life offices.

3287. In

3287. In your judgment, one of the elements in the increase of business in these companies was the inducement held out by Government in giving that relief from the payment of income-tax?—Yes.

3288. If that be continued without any restriction as to amount of income, that will be another boon conferred upon these offices by the Government?—Yes.

3289. That, therefore, would be a reason why the Government should have the right to put them under reasonable restrictions as to the mode in which they conduct their business?—That is a very fair inference; I think those restrictions should be carried no further, however, than would be really advantageous to the life offices themselves. No one can be more interested than they are that the assurance business of the country should be conducted on proper and sound principles.

3290. That would be a boon and advantage too, would it not, over and above all the other advantages they enjoy from registration?—Certainly; it is a direct bounty on life insurance.

3291. *Chairman.*] How many classes of assurance offices are there?—Assurance societies are generally divided into three classes, viz.; proprietary, mutual, and mixed life offices. A proprietary society assures life at so much per cent. per annum; any profits that may accrue from the transactions are divided among the shareholders as they are in any other company. A person who assures his life has merely to look at the premiums; and he will naturally, all other things being equal, assure in an office where the premium is lowest; but at present the proprietary offices have no means of making it evident to the public that they shall be able to fulfil their engagements at the very distant periods to which payments on policies may extend. It would no doubt greatly assist them in establishing that, if they could make such a return as would satisfy persons conversant with the subject of their ability to meet their engagements.

3292. You think it would be to the advantage of those offices to be compelled to make a return?—I think it would, as at present they have no satisfactory means of establishing their ability to meet their engagements. The greater number of those offices publish no accounts which show that satisfactorily.

3293. Is there much increase of business among the lower classes; what is called a third-class business?—I believe that there is; some recent offices have pushed business in all directions, and more among the lower classes, or the lower orders of the middle classes, than the old offices did. It is evident, however, that the working classes do not insure their lives to any extent. I will just mention, in connexion with this, that in a paper I gave in before the Income Tax Committee, it appeared that about 175,000,000 *l.* per annum of income is enjoyed by persons having 200 *l.* a year and upwards, and apparently about the same income is enjoyed by persons who have from 20 *l.* to 200 *l.* per annum of income; so that you have 236,000 persons enjoying an income of 175,000,000 *l.*, and about 3,200,000 or rather more, enjoying incomes of from 20 *l.* up to 200 *l.*; consequently, if all this large class is to be brought within the scope of life assurance operations, you will have to deal with a greater number of persons in order to do the same amount of business; and that certainly is a direction in which it would be very desirable that the assurance business of the country should be pressed.

3294. Then so far as the more modern offices have exhibited greater activity and energy in extending the advantages of life assurance to the lower, and lower-middle classes, they have been of great advantage to the country?—Certainly.

3295. And that you would conceive to be one of the results of increased competition?—I think so.

3296. You have stated that if the same extent of business is to be done with the lower classes, where the amount is very small, in the proportion of 236,000 to 3,200,000 of persons, have you formed any opinion as to the fact whether the same premiums could safely be charged for that class of business, that can clearly be safely charged upon the higher class?—My impression is, that you may very safely use the national life tables for all these purposes, if the usual care in the selection of lives is exercised. I am persuaded that the mortality will not exceed that indicated by those tables.

3297. Would not the expenditure in one case greatly exceed the expenditure in the other?—Yes; as you would have to deal with a greater number of persons the expense would necessarily be greater, the accounts would be more elaborate, and more clerks would necessarily be employed. I heard it stated the other day that

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that there were countervailing circumstances. I can only think of one which would give the offices that deal with the lower classes a profit; that is, the number of lapsed policies. I conceive that if assurance offices are very active, and induce many persons to assure who are not quite certain they will be able, or who, in fact, will be unable to continue to pay the premiums through all circumstances, many policies would necessarily lapse; and by a great number of policies lapsing this lower class of assurance offices would very likely realise a profit more than sufficient to pay for the trouble that they had in getting the assurances.

3298. You think that if a great number of working men were to assure their lives, the consequence would be that, during times of severe pressure and want of employment, they would be compelled to allow their policies to lapse?—That would be the case, I think, with the lower class of tradesmen, and a great number of the working classes.

3299. That, you think, is the only circumstance that would apply to countervail the additional expense of conducting assurances on low sums with numerous risks, as compared with higher sums and larger risks?—Yes; there would be some advantages also in dealing with large numbers, inasmuch as you would have fewer fluctuations probably; your results would come nearer the average, as you would deal with such large numbers; I mean the results of those assurances for small sums.

3300. Mr. *Cowan.*] What is the lowest sum you are aware of which has been taken by any office hitherto?—I am not aware how low they have gone; but, I believe, to very low sums.

3301. Mr. *Henley.*] You have stated that 3,200,000 persons enjoy incomes of from 20 *l.* to 200 *l.*?—My numbers are 3,200,000 with incomes of from 20 *l.* to 200 *l.*

3302. That, of course, includes the wages of labour?—Yes.

3303. You have stated that a considerable advantage to offices who assure small sums to make up for the additional expense would be the lapse of policies?—Yes; I can conceive that that would operate.

3304. Are not policies sold?—Yes.

3305. Would there be any greater difficulty in a poor man selling his policy than a rich man?—I believe that policies are sold if they have been in existence a certain time; two or three years, perhaps; but they are never sold of course for the full tabular value. A man in leaving an office has this advantage, that he exercises a certain option in this way: if he is in ill-health, he continues attached to the office; he only leaves the office if he is in good health; consequently, it gives the office an advantage, and raises the state of health if the members continue in all cases attached to the society.

3306. Putting aside any disturbing cause of that kind, viz., ill-health, what I understand you to say is, that, among a lower class of assurers, they would be less likely to have the means of continuing policies than among the larger assurers?—Yes.

3307. But if a man found himself, from whatever cause, unable to continue the payment, or if it was inconvenient to do so, he has now the option of either carrying his policy to the office knowing that they will buy it, and ascertain at what price they will take it, or he may take it into the public market and sell it?—Yes.

3308. That is frequently and constantly done?—Yes.

3309. Unless the policy is of so recent a date as to be worth nothing in the market or to the office, the assurer does not let it lapse?—He gets a consideration for it.

3310. Is there any reason why persons assuring small sums may not take the same course?—No; but they never get the tabular value for policies; they get about a third of the premiums, while one half is the real value.

3311. Of course persons who purchase such things expect to get a profit upon them?—Yes; and there is a good deal of trouble attending it, because if a man purchases a policy he has to pay the premiums until the life expires.

3312. There is no reason in your mind why, *pro ratâ*, a different class of persons should not be entitled to the same advantages which now are obtained by those who do assure?—No reason whatever.

3313. At present, in the case of policies entered into to secure sums of money lent, the money being paid at a certain period, the policies very frequently lapse, do they not?—Yes.

3314. In your judgment is that class of business more or less likely to be in a proportionate amount among a lower class of assurers?—I am not aware; I am afraid

afraid they might avail themselves of that method of raising money as well as the higher classes; more perhaps than is desirable.

3315. *Chairman.*] Independent of any regulation the Government might impose by Act of Parliament upon the management of offices of this kind, does it strike you that there is much which the offices might do themselves to make such improvements in their practice as to make them more secure and satisfactory?—It does; I conceive there are many circumstances which have prevented the progress of life assurance in the country; none more than the use of an erroneous table, viz., the Northampton Table. That, with many of the old offices, has acted very unfairly, as it has the effect of making the premiums in the early period of life much larger than they ought to be, and distributing the surplus payment among the members unfairly. That is a thing which I think the offices themselves may correct.

3316. That has been rectified to a certain extent amongst many of the offices?—Yes, very much to their credit; many of the old offices are now using correct tables, and I trust the others will follow their example. Another hinderance is, that the public have not that confidence in offices generally which I conceive they ought to have, and which they certainly would have if all the offices published an explicit statement of their affairs, such as would at once show that they are in a sound state.

3317. You think it is to the interest of an office to do so?—I have no doubt that it is. Those cases of fraudulent offices, such as were mentioned by a witness the other day, if the number were extended, would no doubt sometime or other bring assurance offices in general into discredit, and shake the public confidence in the whole of the institutions.

3318. Are you not of opinion that every *bonâ fide* and respectable company is deeply interested in preventing the getting up of fraudulent offices, which bring discredit on the system altogether?—I have no doubt of it; from the very nature of the business, and the mode of carrying it on, it is evident that the public would only discover the most serious insolvency after the lapse of a considerable number of years; it is therefore particularly desirable that some means should be laid down for enabling all offices to show every year that they are in a sound condition.

3319. Is it to the interest of all those offices who are conducting their business on legitimate terms, that such accounts should be published to expose their competitors who may be conducting their business on obviously illegitimate principles?—Yes; it would enable all offices, I think, to compete on fair terms. If the tables they use in their valuations were known, and if their profits were exhibited in the same manner, one company would not be able to make unfair statements to its own advantage, and to the injury of its rivals.

3320. Do you see any means by which the Legislature could assist these companies to remedy any of these evils?—I think the Government cannot undertake to audit the accounts of these 150 or 180 offices; it is out of the question that the Government should undertake that responsibility. I think the actuaries who are connected with a great number of the offices do themselves keep an account which is quite correct. They may differ very probably in opinion upon some minor points; but that account, if rendered public by gentlemen of character, such as they are, both of scientific character and moral character, would be perfectly satisfactory. Government, I think, should not interfere so as to take any responsibility at all, not even to publish the returns so as to guarantee their accuracy. I think they should be signed by the actuary, and by the chairman of the board of directors, who on the face of the return should be stated to be alone responsible for their accuracy. At the same time, I think that the Government, who undertake to receive these returns, should have some means of testing their accuracy.

3321. In case of suspicion?—Yes; some power might very well be given, perhaps to the President of the Board of Trade in certain cases, to send down an actuary to look over the accounts and ascertain their accuracy, so far as the return itself extends; I think that would have a very salutary effect in preventing fraud.

3322. Do you mean similar to the system adopted in the State of New York?—In respect of banks in the State of New York, they use very stringent measures indeed to ascertain the accuracy of the returns made to the comptroller.

3323. And also with regard to assurance offices, have they not the power to send

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send in an actuary to look over the accounts?—I am not aware that they have with reference to assurance societies. The comptroller has, in all cases, the power to send down an order to investigate the accounts of the banks, and he publishes the result of his inquiries, the banks paying the expense.

3324. Is that done by the officer of the Government in each case from its own desire, or is it at the express wish of any portion of the proprietors?—I apprehend that it is done by the comptroller, the person who receives and collects the returns.

3325. If he is not satisfied, he is authorised to make a further investigation?—Yes.

3326. Have you considered the importance of the use of a paid-up capital in the case of assurance offices?—From some suggestions I have heard made, I have thought a good deal upon that subject, but I confess I have not come to a very satisfactory conclusion. There have been assurance societies started with a very small capital. Mr. Morgan says of the Equitable that it began with no capital at all; that "it was begun in obscurity, without any capital, and formed on the narrowest scale;" but it was carried on by persons of great integrity. It was taken up by Dr. Price, and in that way, and by limiting its expenditure, it acquired the public confidence. I conceive it is now quite possible to establish a mutual office without much capital; but as these offices carry on their business, certainly some capital is absolutely indispensable. I conceive that the premiums ought not to be expended in establishing an office, as it must now be a very speculative attempt in many instances.

3327. You think any extraordinary expense in the commencement of the office, for the purpose of obtaining business, should be furnished from capital, and not from the premiums received from the parties assured?—Clearly, from an extraneous source; the parties who advance that capital, advancing it at risk, should of course be amply repaid when the state of the society admits of it.

3328. From the profits of the society at a future time?—Yes; but the surpluses in a mutual society arise in a way which, I think, does not entitle them to be called profits. There is a charge upon the premium: say 10 *l.* a year, is the premium which would assure a given sum; instead of 10 *l.*, 13 *l.* is charged; the 3 *l.* is paid with the premium as long as the man continues in connexion with the office; so that a person who assures his life in a mutual office is really a shareholder, who engages to pay what is stipulated as the annual call so long as he remains connected with the office, and the office engages to return that capital at certain stated intervals, the longest of which is the man's death; it is terminated by the man's death. But that is not fairly to be considered profit; the profit, I conceive, arises from the interest realised, exceeding, we will say, three per cent., at which the tables, are calculated: offices frequently make four per cent, and all above three per cent. is profit. There is another source of profit; the mortality is lower than the mortality table, through the selection of lives. That is the result of the selection of lives, and that is fairly profit. The profit I mean arises also from other circumstances; there are other sources of profit. The excess over the net premium, or the charge upon the premium, is really a contribution by the policy holder to the funds of the society.

3329. Still it is a contribution which would be liable to any extraordinary demand if it happened in the meantime?—Yes, to enable the society to carry on its business.

3330. As a test of the *bonâ fide* intentions of parties commencing assurance offices, should you consider the payment of a moderate capital advisable, not with a view to meet the liabilities of the company in future, because it is obvious that unless the premiums can do that, the company will not be on a sound basis?—Yes.

3331. As a test of the *bonâ fide* intentions of the company at starting, you think a moderate paid-up capital would be advisable?—I think it would; if it was not to a large extent, I conceive it would not interfere in preventing the establishment of any offices which it would be desirable should be established in the country.

3332. Do you think, if it had been necessary for the promoters to provide a paid-up capital of 10,000 *l.*, any of those fraudulent offices which have been detailed before the Committee would have existed?—Very likely those offices would not have existed, but I am afraid to say that it would entirely prevent fraud.

3333. If not entirely prevent fraud, it would be a great check upon the existence of fraudulent offices who try to get business under the profession of being fully registered under the Act of Parliament?—Yes; I think if there was a petition

tion to the Board of Trade, as in the case of banks, and inquiries made into the character of the parties, it would generally be discovered whether they were going to establish the office on a proper or sound basis, or whether it was merely concocted as a fraud.

3334. Are you aware that, besides the requirements for establishing a bank, the law prescribes further things to be done, viz., that a certain amount of capital should be subscribed in shares, limited to a certain amount; that a certain portion of that capital must be absolutely paid up, and certain other conditions under the Act must be complied with; and on those conditions being complied with, the Board of Trade have nothing further to do but grant a charter of incorporation?—I am aware that if those conditions are complied with, the Board of Trade may grant a charter; but I was not aware that they were deprived of all discretion.

3335. Are you not aware that the Joint Stock Bank Act, as far as regards this country, does not give limited liability, but simply incorporates a body of men, and enables them to carry on business, suing and being sued in the way they are prescribed; that is, it enables any person to obtain such a charter of incorporation on complying with the conditions which the Act lays down, the chief of which is the absolute payment up of a portion of its subscribed capital?—The whole capital is to be subscribed in the case of banks, and I believe half paid up; 100*l.* shares with 50*l.* paid up before they commence operations; but I understand there is still a discretion in the Board of Trade whether the petition shall be granted or not.

3336. Does it not occur to you that it would be extremely difficult for any department to be invested with the responsibility of inquiring into the respectability, or the motives of persons in establishing such businesses, and that the payment of a certain amount of capital which would prevent any great risk, would be a much safer test of the *bonâ fide* intentions of the parties than any possible inquiry into their private motives and objects could be?—I should not desire to prevent persons wishing to act with perfect integrity, and yet who perhaps have not a great deal of capital, from establishing assurance societies on the mutual principle. You have at present between 20,000 and and 30,000 friendly societies; those societies assure against sickness and death, and they grant annuities; on the other hand, you have the large assurance societies; and again you may have intermediate societies, and those possibly may be carried on, and carried on with advantage, by persons of small capital, whom, if they were known to be persons of integrity, which I think could be ascertained, I should not wish to deprive of the power of commencing assurance societies.

3337. You would be afraid of limiting the operation of that principle by restrictions which would be too tight for such intermediate societies to comply with?—Certainly.

3338. Mr. *Henley*.] Do you confine your observation to mutual societies?—Yes.

3339. *Chairman*.] Proprietary companies must necessarily have capital?—Yes; but I conceive that mutual societies carried on with great economy might be successful.

3340. Against the advantage which you would anticipate from many individuals forming themselves into small associations, would there not be a considerable disvantage, without any ill-intention at all, but with perfectly good intentions, from the absence of a sufficient amount of knowledge and intelligence to conduct such small societies as you have referred to; and, consequently, would it not be better that these societies should exist in large masses where the establishments would be considerably greater, and where the ability to conduct them would be proportionably greater, although perhaps there might be equal honesty with regard to the small societies; but upon the whole, where the affairs of the office would be more easily arrived at, and more satisfactorily ascertained by the public, than where the business is divided into small associations, which are rather calculated to defeat the object than to operate beneficially?—I am certainly of opinion that the insurance business of the country would be best carried on in a large way, for many reasons; I have no doubt from their skill and capital, and acting in masses, the large societies could carry on the business of the country better than a number of small isolated societies; but if you propose to legislate to prevent the formation of these small societies, it is then I feel some hesitation.

3341. Supposing people were in this dilemma, that they must choose between two evils; viz., that either they must run a certain risk in limiting the operation of an advantageous principle by its extension in small societies, such as you have described, or run the risk of having fraudulent societies established on either a

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large or a small basis; which do you think, for the sake of the principle itself, and its extension, would be the most likely to be advantageous to the public; viz., whether a restriction such as I have adverted to, which might interfere with the establishment of small local societies, or a restriction which would prevent fraudulent societies imposing on the public to a great extent, thereby bringing the whole system into disrepute? Which of these two restrictions do you think would be least objectionable?—I am quite of opinion that you cannot continue to register as assurance companies any parties who choose to go to the Registrar and request that their society may be registered; you must have some preliminary inquiry, or some other precaution must be taken, such as has been adverted to in the shape of paid-up capital. I quite agree with those witnesses who have stated that registration, as at present carried on, does not prevent fraud; but, on the contrary, that it lends to it some facilities.

3342. Would it not be a very difficult power to intrust to the Registrar, to inquire all over the country as to the individual characters of those proposing to establish assurance companies, and upon that inquiry granting such a certificate?—I think it should be referred to the President of the Board of Trade, or some influential member of the Government who is in Parliament, and should be responsible there for any interference with individual liberty which he might think himself authorised to adopt.

3343. Do you not think that would throw greater responsibility on the Government than the mere requirement of a paid-up capital, which they would all understand?—It is a responsibility from which the Government should not shrink. People might find the means to comply with that condition of finding a small paid-up capital, and then announce to the world that they had invested all the capital that was necessary to carry on the business of the society, and that they were authorised by the Government to act as assurers of life. From the immense amount of capital required in a small concern like that, in the table I have put in it will be seen that 10,000 *l.*, or any sum of the sort, would be no guarantee whatever of the ability of the society to meet its engagements.

3344. You would be afraid that the payment of a moderate capital might be made use of as an additional reason or facility by which people might impose on the community in laying the basis of a certain amount of credit and respectability?—I see a danger of that description.

3345. Do you think, in any of the cases which have been brought before this Committee as being fraudulent cases, the persons connected with those frauds would have been able to get from 8,000 *l.* to 10,000 *l.* as a deposit?—It is not probable; but it is difficult to set a limit to the extent of ingenuity which might be brought to bear upon a subject of this kind.

3346. You have obtained a good deal of evidence as to the rates of premiums; you consider generally that the rates of premiums at present charged, as a matter of science and opinion, are perfectly satisfactory, and sufficient to cover the risks?—I think they are, except in a few instances. From a list I have made out, of premiums charged without profits, I see they vary in amount, at the age of 35, from 2 *l.* 5 *s.* 6 *d.* to 2 *l.* 19 *s.* 10 *d.* The exact premiums, without putting anything down for profit, by the English tables, is 2 *l.* 7 *s.* I see one office asks 2 *l.* 5 *s.* 6 *d.* However, if the society make 4 per cent. by its money, 2 *l.* 2 *s.* 9 *d.* would be sufficient. That is the net premium, without allowing anything for expenses.

3347. The 2 *l.* 7 *s.* is at three per cent.?—Yes.

3348. Are those all proprietary offices?—There is only one purely proprietary office; they are called mixed offices. There were, until quite lately, proprietary offices charging the highest premiums, and dividing no profits among the assured; but that state of things has been altered.

3349. But you state a variation from 2 *l.* 5 *s.* 6 *d.* to 2 *l.* 19 *s.* 10 *d.*; those various rates do not apply to offices conducting business exactly on the same terms; there are a variety of terms, according to the rates in which the assured share in the profits made?—The premiums I have taken here are those charged without profits in each case, except the 2 *l.* 19 *s.* 10 *d.* I believe nearly all the offices that use the Northampton Table do divide profits now.

3350. At the same time, the office gives an option to those who asssure, to do so at certain rates with division of profits, or at more moderate rates without division of profits?—Yes, they generally give two tables; one a table of premiums with profits, one without profits.

3351. Is

3351. Is there all that variation in those offices, viz., offices without a division of profits?—Yes; except the last four in the list before me, viz., offices recently formed, and offices using the Northampton Tables, but expressing their intention to divide the profits with the parties assuring.

3352. You have put the word "profit" to some of them?—Yes; when we had not the means of getting the premiums without profits, we took the premium with profit, and so stated it.

3353. Have you formed any opinion of the cost of conducting a life assurance office now, compared with what it was in former times?—There is the element of agency which is now largely in operation, and must necessarily enhance the expenses very considerably. The Equitable began business and made its profits without agency, and even now, I believe, it allows no agency commission; that is the case with some few offices. Other offices have allowed an agency commission, varying from 5 to 10 per cent., and even more, on the premiums received, which, of course, must enhance the expenses enormously. Singularly enough, the public continued assuring at the proprietary offices that did not divide profits, charging premiums by the Northampton Tables, for nearly 50 years, giving the whole of that surplus beyond what was sufficient to assure the life to the shareholders of the proprietary societies, while they might have assured in offices which divide the greater part of the profits.

3354. I suppose in these matters there is a great deal in habit; it is a long time before the public habit is changed, although there is an obvious advantage in doing so?—Yes; it was chiefly, I think, from the system which was denounced at that time as the bribery of agents.

3355. Would that be the case also with solicitors?—Yes; Mr. Baily denounced that as a great iniquity; and if the Committee will allow me. I will read a case given by Mr. Babbage to show how the public were induced to assure in the proprietary offices, while the mutual offices were offering to effect assurances at the same premiums. Mr. Babbage says, "A clergyman, in order to provide at his death for a numerous family, succeeded, by great economy, in saving from his income sufficient to assure his life for 2,000 *l.* Being unacquainted with business, he unfortunately trusted the choice of the office at which he assured to the attorney whom he had been in the habit of employing. The attorney effected the policy at one of those offices which make no return of any part of the profits, and which, notwithstanding, charge the same prices as the Equitable. During about 20 years he received a commission of five per cent. from the office, which was paid out of the assured sum, with difficulty spared from the scanty income of his employer; and on the death of the clergyman his seven surviving children received from the office the original sum assured, viz., 2,000 *l.*, instead of about 3,200 *l.*, which they might have received from the Equitable, had not the bribe held out by the other office been too great for the integrity of their father's solicitor." Mr. Babbage estimates the whole profit of the attorney "at little more than 50 *l.*, whilst the loss to his employer's family amounted to about 1,200 *l.*"

3356. Mr. *Henley*.] Do I understand that statement to mean, that the solicitor, having carried the person to assure at one of these offices so described, got five per cent. on the amount of premiums during the whole period of the payment?—Yes; this system of allowance is now so generally carried on that it cannot be considered "bribery" in the strict sense of the word. All those persons who consult agents are interested in this matter; they should know that some offices give five per cent. on the premiums, and that other offices give nothing to agents.

3357. By the words "so generally known," do you mean the practice is so general, or is it in any of the offices printed and stated in the public prospectus of the company to warn the persons assuring?—Not to warn the public, but to induce persons to act as agents.

3358. And bring it to their knowledge?—It is very frequently said "A very liberal allowance is made to agents." Mr. Babbage mentions a great number of offices announcing, when he wrote, "Solicitors are liberally paid for any business they may bring to the office."

3359. *Chairman*.] Is not that almost the invariable usage, that if agencies are appointed throughout the kingdom, they receive an allowance of five per cent. on the premiums?—Yes.

3360. Still they consider the solicitor as an agent?—Yes; they may consider the agencies as branch offices; they are paid in that way.

3361. A man may be a grocer, a wine-dealer, or a banker, or anything else he

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he is the agent for an assurance office in a country town; if he obtain business for that office, does he not receive five per cent. commission on the premiums he receives?—Yes; very legitimately in that case.

3362. Mr. *Henley*.] The party in that case stands ostensibly before the public as the agent to obtain business for that particular office. A solicitor, on the contrary, being employed by a private party, has a right to be considered as the agent of that party, and not the agent of the office?—Clearly; I think that constitutes the distinction.

3363. A solicitor going to one of those grocers, or wine-merchants, or other persons, who is assumed to be the agent of the office; who gets the five per cent. then?—If any party goes to a tradesman, being the agent of the company, the agent gets five per cent.

3364. And the solicitor in that case would get nothing?—No, I believe not; there are societies which receive the premiums direct from solicitors in the country, and allow them, in all cases, five per cent.

3365. Whether it is paid through an agent or not?—It is always in those cases transmitted to the office direct.

3366. So that there are not two commissions paid?—No.

3367. *Chairman*.] Is it not the case that the office do not care how it is, provided they are not called upon to pay more than five per cent.?—I fancy they are very glad generally, in order to do business, to allow five per cent. on all premiums brought to them by anybody.

3368. Is it consistent with your knowledge, that if private parties going to an office to assure are sufficiently alive to business, it is not unusual to make that condition, and the office will pay private parties the same commission that they allow an agent if the premium comes direct to the office?—That does not fall within my experience.

3369. The commission of five per cent. may be considered, in fact, a deduction from the premium?—Yes.

3370. They charge a premium sufficient to cover that five per cent., and if it be paid to an agent well and good; if not, it falls in as so much profit to the office?—Yes; it is an additional expense in carrying on the business of life assurance; not, I conceive, in all cases necessary. Five per cent. on the gross premiums is a large addition to the expense of carrying on the business of assurance.

3371. Mr. *Henley*.] Do I understand you to say, that it is, or is not, within your knowledge that parties going to effect assurances on their own lives have this allowance of five per cent.?—I believe that parties assuring their own lives are not allowed five per cent.; it is my impression that in that case the party himself gets no commission; it is only in the case of his bringing another person to effect an assurance.

3372. *Chairman*.] Acting as an agent?—Yes.

3373. If the premiums are charged at a rate sufficient to enable them to allow that commission to an agent, there would be no danger incurred in allowing the same commission to the principal?—Certainly not; one would think that in justice they ought to allow the same commission to the principal as he is his own agent. I should say the subject itself is very important; I have heard on pretty good authority that some offices are endeavouring to raise the commission; and if their policy premiums will not bear a large deduction, the offices will upon the face of their tables be in an unsound state.

3374. Mr. *Henley*.] *Pro tanto*, the high commission they give for bringing business may be a temptation to parties who have to advise others to carry business to an office which may not be on a sound footing?—A high rate of commission would, no doubt, be a temptation to persons to become agents for offices without due regard to their soundness.

3375. Do I understand the charge is, that the solicitor in that case, for the sake of the five per cent., prevented the party assured going to an office where an addition would be made to his policy? That is suggested in the case you read from Mr. Babbage?—Yes.

3376. Of course if another office held out an inducement in the shape of a bribe to that solicitor of ten per cent. instead of five per cent., his inducement would be doubled to take the party to an office where he might not even be safe in getting his own money?—Solicitors, when consulted by their clients, generally so far consult their own interests as not to carry business to an unsound concern; but it is a temptation to which, I think, even solicitors should not be exposed.

3377. Of

3377. Of course that would depend entirely on the honesty of the solicitor?—Certainly.

3378. If he was a man not of sufficient resolution to resist temptation, the higher the commission that was offered to him the greater the chance would be of his yielding to it?—Yes, there is that temptation.

3379. Is it within your knowledge, in the ordinary way of hearing of such things, that higher premiums, in the shape of commission, than 5 per cent. are given in some offices?—I have heard higher figures named.

3380. *Chairman.*] Would you propose any limit?—That is a subject with which you could not interfere. If it could be made public in any way, it would be a great advantage.

3381. Could you suggest any means by which, in any return to be made by the offices, information of that kind could be elicited?—It should appear in the expenses necessarily; many offices publish the amount which is paid in commission as a separate item; and it would be very well to make a return of the expenses, so as to distinguish the ordinary expenses from agency.

3382. You mean in a return of the whole of the expenses, to distinguish that paid for commission from other expenses?—Yes, that would be quite sufficient.

3383. In order to arrive at anything like an accurate calculation, should not you also ascertain what the portion of the business done through agents was if the party was known?—I think you could not go into details; it would appear generally in the expenses of the office; the offices that allowed no commission would be doing business at less expense than others.

3384. It would go to swell or diminish the expenses generally; so that, whether the expenses were incurred in one respect or another, it would appear on the face of the account whether the premiums were excessive or moderate?—Yes; which would be all that the public would be interested in learning.

3385. Mr. *Cowan.*] You have told us that the amount of business done by the Equitable in 1809 was 8,024,000 *l.* of assurances?—Yes; that does not include the amount added as bonus.

3386. Can you continue the account in decennial periods since 1800?—

Sums Insured in the Equitable Life Office; and the Additions to the same, 1800—1850.

		£.
1800:	Amount assured	3,900,000
	Addition	759,000
	Total £.	4,659,000
1809:	Amount assured	8,024,001
	Addition	2,094,570
	Total £.	10,118,571
1820:	Amount assured	13,045,751
	Addition	?
	Total £.	?
1830:	Amount assured	12,422,460
	Addition	7,364,055
	Total £.	19,786,515
1840:	Amount assured	10,539,980
	Addition	7,408,982
	Total £.	17,948,962
1850:	Amount assured	8,249,695
	Addition	5,665,550
	Total £.	13,915,245

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3387. What is the date of the establishment of the Equitable?—1762.

3388. I believe the tables they used were the Northampton Tables?—Yes.

3389. They have continued to use the same tables ever since?—Yes.

3390. You have expressed an opinion strongly in favour of the publication of accounts?—Yes.

3391. Are you aware that it is proposed by the Stamp Duties Bill now before the House that the duty on life assurance policies is to be immediately reduced to 1*s.* per cent.?—Yes; that is another reason for expecting an increase of assurance business.

3392. I wish to know whether you consider that it might afford a very material addition to the information to be obtained from the returns of assurance offices, if in place of being obliged to affix a stamp to their policies, they should be obliged to give in an account of the actual amount of the assurances effected during the year, and should pay a stamp duty accordingly?—I have not considered that.

3393. Supposing it were rendered compulsory upon them to give in the amount of the various policies they effect, and that they should pay according to the amount whatever it may be, is it your opinion that that would conduce materially, along with other returns which they might be asked to furnish, to show the amount of business done by each company?—That is one of the things they should return, viz., the amount of assurances effected during the year, and the amount for which they are liable.

3394. Do you see any difficulty in such an office paying the aggregate of the stamp duty upon their own return, in the same way that fire insurance offices do upon the amount of business done by them?—I am afraid of giving an opinion on the best mode of collecting the stamp duty, without a good deal of consideration. Every facility should be given towards carrying on the business of life assurance; and if the revenue can be collected in the manner which you have suggested, a little difficulty should not be allowed to prevent the application of so equitable a principle.

3395. *Chairman.*] Have you prepared a table exemplifying two modes of valuing the liabilities and assets of an office, so as with certainty to ascertain its condition?—Yes, they are as follows:

First Plan.

	£.	£.
Present value of sum assured		6,503,789
Present value of gross premiums	2,927,789	
Deduct one-seventh as the value of the charge on the premium	418,255	
Present value of net premiums		2,509,534
Present value of required securities	£.	3,994,255

Second Plan.

	£.
Present value of sums assured	6,503,789
Present value of premiums	2,927,789
Present value of required securities £.	3,576,000

By the first method the society should have in hand securities worth 3,994,255 *l.* that with certainty it might make good its engagements.

According to the second method the society will, with 3,576,000 *l.* in hand, meet its engagements. Here the future expenses are left out of sight.

The second plan is that laid down by Mr. Morgan and by other writers, as the correct valuation. The use of the Northampton table, the false table, however, brought out in ordinary circumstances results differing little from those obtained on the first plan by a true table, in which the charge on the premium is prudently deducted from the value of the gross premiums. I shall not attempt to discuss this subject now; but I give in the two valuations, to show the Committee how necessary it is that, in comparing the condition of different societies, the same life table, the same rate of interest, and the same process of valuation should be used to obtain comparable results. If the facts were returned in the form suggested by Mr. A. Morgan and Mr. Ansell, the calculation would be simple; but it should not supersede the valuation of each policy by the actuary.

Alexander Robertson, Esq., called in; and Examined.

3396. *Chairman.*] WHAT is the name of your office?—The Indisputable Life Policy Company. *A. Robertson, Esq.* 30 June 1853

3397. What is your opinion as to the effect of the law of registration of 1844?—I think it has had a very hurtful effect.

3398. In what way?—I think legislation of any kind is sure to have a hurtful effect on provident schemes of all kinds, but particularly assurance. I think that legislation has the effect of inducing people to believe that a company which is brought within its operation, as, for example, under the Registration Act, is a sound and a good company, and therefore that they are not called upon to use those precautions which they otherwise would do to ascertain whether the company is deserving of credit or otherwise.

3399. You think it deprives people of part of that precaution which they would exercise themselves, if they were left to their own precaution?—Yes.

3400. Mr. *Henley.*] It gives, in point of fact, a false credit to the company?—Yes; an Act of that kind besides always goes on to prescribe rules and regulations how the accounts are to be kept, and what you are to do. An honourable company will comply with these; a company that is otherwise, or which thinks it will promote its own interest by refraining to do so, will refrain; and you consequently get a set of accounts which are not understandable, or which are not correct.

3401. *Chairman.*] Then you are not at all in favour of Government surveillance under any circumstances?—Not under any circumstances.

3402. Do you think there is nothing peculiar in the case of assurance offices which removes them out of the ordinary category of businesses, or justifies interference with them, which is not justified with regard to ordinary trades?—No; I think the recent experience of what registration has done shows that. Before 1844 there was one fraudulent assurance office, the Independent West Middlesex; then no Registration Act had passed; that office had long ceased to exist before the Act passed; people had heard of it so often, they were so much on their guard, that I do not think there was any chance of anything of the kind happening again. That was one office in upwards of 100 years. Since 1844, you had a witness here on Monday, who gave you a list of 13 or 14 offices; I do not say assurance offices, very few of them were so, but set up by people who were trying under the appearance of assurance offices to commit various kinds of fraud. If that Act had not passed you would not have had those cases.

3403. Then you think that it was under the sanction of the Act that those frauds were perpetrated?—I have no hesitation in saying so.

3404. Are you not aware that in some of those cases referred to they had not registered under the Act at all?—I am aware that there was scarcely one that had registered under the Act. I think of all the 14 there were perhaps only two that had registered under the Act; but those offices stated that there was an Act for registration, that all assurance companies were registered under it, and of course as they were assurance companies they were registered under it. In that way the people were imposed upon.

3405. They led the people to believe that they were registered?—Yes.

3406. And therefore they had a certain amount of credit?—Yes.

3407. What is your opinion about the payment up of a certain portion of capital as a security for these offices?—I think the payment of capital of any kind is extremely hurtful.

3408. On what account do you think it hurtful?—In the first place, with rererence to one set of offices, those upon the mutual system, I think if any person considers assurance properly, or has read the authors on assurance, he will come to the conclusion that mutual assurance is the purest and the best system that can be used, and the nearer approach you can make to that the nearer you come to perfection. Most offices have now by their practice shown that they also are of the same opinion. Now a capital is totally inconsistent with the principle of mutual assurance. If you mean to report that a capital shall be required, I think it would be more straightforward to pass an Act that no mutual office shall exist, because it really comes to that. There is no plan I have heard of, and I have heard all the witnesses who have been examined, by which you can call up a capital for a mutual office, and retain the principle of mutuality.

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3409. Have you not heard it stated before this Committee that a very large number of mutual assurance offices have not only a subscribed, but a paid-up capital?—Yes; but that is a very different thing from a capital under an Act of Parliament, they may, and almost every mutual society now must have some capital. Formerly, mutual societies began to do business on a very small scale; there was the Scottish Widows' Fund, for instance, and several other Scotch offices. At the end of five years, the Scottish Widows' Fund probably had done as much business as one of the new offices would do in the course of half a year; they had not a capital of any kind, and it was not required. Now modern offices find it is better for the interest of the assured that there should be an advance, but then that is not a capital in which the parties who advance it have any share in the concern; they cannot control the assured; the assured remain in complete control of their own affairs.

3410. But, surely, if there is a mode by which capital can be paid up voluntarily, there is a mode by which it can be paid up compulsorily?—I do not think so; I do not think there is any such plan; I have heard it suggested in various ways. One gentleman proposed that the capital should be called up, and put into the hands of the Government; that the Consols interest, which probably would be three per cent., should be paid to those who advanced the capital, and that the difference between that and five per cent. should be paid out of the premiums of the office. I think, under such circumstances, there would not be any person who would go to that office. The capital, he stated to you, required an interest of five per cent.; then the three per cent. which was to be got from Consols would make up so small a part of it, that in the case he put it required the whole of his new premiums to make up the difference. In that office, at the end of 12 years, all the new premiums would not make up the odds between the three per cent. interest from Consols and the five per cent. which the parties were entitled to. I do not think any parties would advance monies for such a purpose on receiving five per cent. only.

3411. You say that capital is advanced at present voluntarily?—The way in which that is done just now is, that the directors themselves generally come under a responsibility to make advances or payments if they ever shall be required, and they do actually pay a small sum; and under these circumstances the funds of the office are charged interest merely on what is advanced; they are not charged for the sum which is not advanced. There is no interference, therefore, on the part of any body of proprietors; there is not any opposing interest; the directors themselves are the parties who alone have anything to say as to the capital advanced; the amount is very small, and very soon paid off.

3412. Now, with regard to the large expenditure some witnesses have recommended in the early stage of an office, would you propose that the early expenses should be paid out of capital subscribed, or out of premiums received?—I think in a mutual office the expenditure ought to be small; in a proprietory office I have no objection to the proprietors making it as large as they please. If people choose to make an advance of 30,000 *l.* or 40,000 *l.*, and they choose to make a commercial speculation of assurance, I do not see any reason why they should not do it. Their calculation is, "We will make very large advances; we will send out active agents, not one only, but a great many, who will appoint other agents; we will establish agencies on the Continent, and various other places; all that is attended with very great expense, but we calculate that in the course of a certain number of years our office will be so very strong, the profits of it will be so very large, that we shall be well remunerated for that very large sum we have advanced." There are two or three offices I know, that were particularly referred to in the evidence, which are going on upon that plan just now, and probably it may be a very good and safe one; and there is one thing to be said, so far as the assured are concerned they will be sufficiently safe. One of these offices has 1,200 shareholders; another office has 800 shareholders; and in conjunction with these offices there is a new fire office just started, which has 5,500 shareholders.

3413. Are they all liable?—All are responsible to the extent of their shares; I do not know exactly what the shares are. In that case it is a commercial speculation which they are carrying on, and I do not see why they should not.

3414. You do not agree with those witnesses who speak in favour of mutual societies, and who think the larger the expenditure the better?—I never heard any witness say that as to a mutual assurance society; I am not aware that any witness has said so. I think it is inconsistent with a mutual office to make a large expenditure;

expenditure; I do not see where it is to come from. In the first year of any office, however successful it may be, the premiums cannot sustain any great expense.

3415. Then, if any great expense is incurred at all, there must be a subscribed capital?—Yes.

3416. Mr. *Henley.*] You draw a very broad distinction between mutual assurance and proprietary assurance?—Yes; I may perhaps say I heard a Member of the Committee make a remark which did not appear to me to be applicable to mutual assurance. The idea seemed to be that a mutual assurance was one in which all the assured were responsible to each other. Now, that is not a mutual assurance; there is no such mutual assurance, with one single exception: the old Equitable is so; but with regard to all other mutual assurance offices the funds of the company alone are responsible for their claims; no one man is responsible for the debts of any other.

3417. *Chairman.*] That is rendered so by the terms of their deeds, and the terms of their policies?—Yes.

3418. Mr. *Henley.*] You stated, that in some of the cases of mutual assurance companies, where a capital had been voluntarily subscribed, it has been done in this manner: that the directors have come under a certain liability, and that in consequence of their having come under a certain liability, a certain amount of interest has been charged amongst the expenses of the company; am I to understand you that interest has been charged to the company, and paid to the directors, they never having advanced anything actually, but only being under a liability to pay a call?—No, quite the contrary; I stated that in the case of a mutual assurance company, each of the directors voluntarily subscribes to the capital, and makes the advance, and pays up a part of that capital; the charge on the fund is merely the interest upon those advances; there is not anything paid on what has not been called up.

3419. It is, in point of fact, the interest on the amount of the capital paid?—Only that.

3420. Mr. *Cowan.*] In the office with which you are connected, have your directors made any provision for guaranteeing?—Yes.

3421. May I ask what the nature of it is?—The directors in the beginning entered into a bond to advance 5,000 *l.*, if it ever should be required, which was 500 *l.* each director, and each director did advance 100 *l.*, upon which they receive interest.

3422. How long is it since your office was established?—Five years.

3423. Have the directors been required to make any advance since the original one to which you have referred?—No, they have not been required to make any other advance; they did make an advance I think of 500 *l.* in connexion with a transaction they had, but it was not required for carrying on the office.

3424. Mr. *Henley.*] You have stated that, under the ordinary conditions of mutual assurance companies, with the exception of the Equitable, the parties assured are not liable one among another to make good the claims?—They are not.

3425. Responsibility is guarded against either by the terms of the respective policies, or by the terms of incorporation?—It is guarded against by a clause in the deed of constitution, and it is also inserted in every policy that is issued.

3426. Then the term mutual assurance, as used in the sense you used it, only applies to those companies who divide profits among no other parties except those assured?—Yes.

3427. Who divide the whole of the profits amongst the parties assured?—Yes.

3428. Mr. *Cowan.*] Is it your opinion, that life assurance is extending very much among the humbler classes of society?—Yes, I think life assurance is extending very much; I think if there were no legislation at all, and if the Act of 1844 be repealed, life assurance will increase to a very great extent. I think you see that is owing to the prosperous state this country is in; you see the number of contrivances there are for giving people something like an interest for advances. If life assurance had fair play, so that it could compete with friendly societies, freehold societies, and various other schemes of that kind, it would increase to a very great extent. Take the case of freehold societies; there is one freehold society, the income of which, I believe, is nearly equal to the income of all the assurance offices in all England, and why should people's funds go only to plans such as those? I am pretty well convinced that it is not for mere political objects; people go to a company very much because they wish a return for what they save; and if people's savings could be received by assurance companies, and if the public had such confidence as they ought to have in those companies, and as I think

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think they would have if there was no Act of Parliament, I have no doubt that life assurance would be greatly extended.

3429. Is it the fact that life assurance is very much extending among all classes?—Yes.

3430. Mr. *Henley.*] Do you not think that one motive with persons who put into a freehold land society is, that they think it desirable to have something during their own lives they may fall back upon, as well as to make a provision for those that come after them?—There are plans by which assurance can do that; that is, a man may so effect an assurance that when he reaches a certain age, he shall receive a certain sum, or receive a certain annuity. There are almost endless plans by which a person may benefit himself as well as his representatives.

3431. Speaking of freehold land societies, and of their diverting money which would otherwise go to assurance, they profess to give something more than a sum payable at death; viz., something in immediate possession?—Yes.

3432. And it may be that persons may have a predilection for having a bit of land of their own, instead of a sum of money assured at death?—Yes.

3433. Then it does not follow that the whole would go to assurance societies?—I should be glad to bargain for the half.

3434. *Chairman.*] Have you any observations to make as to the mode of valuation and stating profits?—Yes, I think there has been an erroneous impression made on the Committee. You are aware that under the Act a balance sheet is required. If a balance sheet has to be made out, you require a valuation. I do not see how you can call the receipts and expenditure a balance sheet, for that requires a valuation. But it has been said, as you value the future premiums, and bring out a balance, and show a considerable sum, that is a fraud on people, because you show as if you had realised a larger profit than you really have. Now I am not aware that in any case that has been done with the view of deceiving people; on the contrary, the way in which it is generally stated, is the "present value of the future premiums;" the thing is made plain, there is no wrong statement, nor do the offices wish people to believe that that has been realised. To a former witness a case was put of a trader, a person who came to take stock: "Would it be fair to put a value upon the stock he had, at a sum equivalent to the profits which he made on what he had sold?" It clearly would not, but that is not a similar case. In the case of future premiums, the stock is bespoken; it is not only bespoken, but there is earnest money that it will be called for and paid; the time of delivery of the stock is also determined. Therefore you have your future premiums bespoken, as it were, and you will make your valuation, substracting only the profits which you would otherwise have had, supposing they were all immediately sold. In such a case I have not to deliver that stock until during a series of future years, therefore I only put a present calculated value upon it.

3435. During that series of future years will there not be a considerable expense attending the transaction of the delivery of the stock?—Simply 1 per cent. or 1½ per cent. for the collection.

3436. Is it not a matter of contingency the amount of business that is dropped?—Yes; but with reference to that, the policies that fall in, if they have been continued any considerable period, the office gets an advantage by them. It would not get so great an advantage at an early period as if the policy had gone on. If it has continued a number of years, the office would gain much more by the dropping of the policy than it would otherwise. There was a table given to the Committee to show that the mortality increases very much after the first four or five years, in order, I suppose, to be a warning to young offices; viz., you must not calculate that your claims will not be greater in future years; but I strongly suspect that that arises very much from policies having dropped upon good lives, and that the bad lives continued. That is to say, at the end of a certain number of years the people who are in good health feel they are so, and there is not the same inducement to them to continue their policies as to people who are in bad health.

3437. Do you think that many people from that consideration drop their policies?—I do, a considerable number, particularly where people have policies on others' lives; when they have pecuniary transactions connected with them.

3438. Mr. *Cowan.*] They have the privilege of either selling them to the office; or, if they conceive that to be too low a value which the office offers, they can sell the policy in the market?—Yes. I heard an idea which was given to the Committee, that some offices gave so small a sum when people come to surrender their

their policies, that in that way an office might go on for a considerable period losing its policies without giving any value for them, as if that was unfair. My own impression is, that offices generally give much beyond what they ought to give for surrendered policies. I think that that actuarial view, which was given to the Committee, is not the correct view. That is, they say you should take the value of the policy, making an ordinary valuation of it, and give the assured nearly that sum; and it seems to be hinted, that if it be a highly respectable office it will give them almost the entire sum. Now it seems to me, that the office is not fairly placed upon that supposition; for the selection is on the part of the person who applies to surrender his assurance, and instead of giving him one-third of the premiums, I think a surrender policy is worth much less, because good lives surrender and bad do not. I think it is more than probable that if you gave them one-sixth, it would be amply sufficient for the surrender of such policies, where there is no inquiry made as to the cause of surrender.

3439. Mr. *Cowan.*] Do I understand you to say that the assets in your office, for instance, by which I mean the prospectus premiums, you would be disposed to value on one side of the account a good deal more than what other witnesses have indicated their opinion to be; and that your obligations on the other side of the account, you conceive, ought to be taken at very much less than in the values they have given?—I am not aware that I have said anything as to that which other witnesses have not stated. It seemed to be brought forward as an objection to that mode of valuation, not that there was a deduction to take place in respect of that, but that the office ought not to state that they had realised profits that they had not realised. So far as I have been able to observe, there is the utmost candour and fairness in these valuations; and they are generally made by people of such eminence, the various actuaries, that of course there is not the slightest suspicion that anything is done with a design to deceive.

3440. Is it not the case that the actuary employed at the periodical investigation, yearly or quinquennially, values each individual risk on the one side and the obligations on the other precisely on the same principle?—Yes, precisely on the same principle. I do not mean to say that the actuary values each risk; he may class the risks, or take each risk as he pleases.

3441. *Chairman.*] Have you any other observations?—I wish to say as to a capital, which was a point referred to, viz., whether it would be a security or otherwise, I think you have a very good example in a case which occurred, where an office with a view to screen themselves from inquiry as to character, called up a capital of 10,000 *l.* That was the "Independent West Middlesex"; they had a capital in the Bank of England. When people inquired as to the character of that office, they said, "Go to the cashier of the Bank of England, he will tell you we have a capital of 10,000 *l.* there."

3442. Had they in fact that capital?—Yes, 10,000 *l.*; they always had that sum there, consequently that it would be a check against fraud you can scarcely say. It is very true it might check such small frauds as have been mentioned, which after all did not do much harm. If those people were called upon, they could not advance any sum; but that will not be the description of frauds you will have if you call for a capital; you will get fraud upon a great scale, such as the "Independent West Middlesex."

3443. How was that capital raised?—Made up as some witnesses now recommend.

3444. Was it the subscribed capital of the proprietors?—Yes, clearly; they had no shareholders; they were personally the shareholders.

3445. Was it the capital of the proprietors, or a portion of the premiums they had received, and put aside, and formed into capital?—There was one man who had a considerable capital when he joined them; I think it is very probable he might have advanced some of it; whether any part of the 10,000 *l.* was made up from premiums I do not know.

3446. The object in letting it remain was for the sake of appearance?—Yes, to show that they were respectable people. There are other cases. Mr. Riley, I recollect, in his evidence, said he would refer to one office he knew very well, which, if any young office were objectionable, was undoubtedly so. He stated, if they had not had a capital, they would have been deficient at the end of the first year; but having a capital they went on, the next year making a further call, and next year a further call; in consequence of that their state is not a good one.

Mr. *Colvin*, called in; and further Examined.

Mr. *Colvin*.

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3447. *Chairman.*] YOU wish to make some explanation as to your evidence?—Yes, with regard to the point as to vouchers for documents, or receipts for money, at the registrar's office. It is now two or three years since I applied, and I cannot undertake to say what were the precise words of the conversation which then took place; but certainly the impression left upon my mind was that they refused to give receipts altogether. I was aware of the provision of the Act, but knowing there was also a general power given to the Board of Trade to modify matters of detail, I thought probably some instructions had been received at the Registration-office upon the point, and did not press the matter. I have been informed to-day, by a friend of the assistant registrar, that they will give receipts for documents, but not for fees, and, therefore, I presume that a misapprehension has arisen between myself and the gentlemen of the Registration-office, and I should be very sorry that they should be unjustly accused of an habitual refusal to give vouchers. No doubt I asked the question meaning one thing, and they answered it meaning another; viz., that I applied for a receipt generally, and that they answered it with a view to a receipt for money; I think probably that is the case; I think a great misapprehension exists upon that point, therefore good may perhaps arise out of it, inasmuch as it will correct that misapprehension.

3448. Are you satisfied that they have not refused receipts habitually, when required?—I am informed that my own view of it was a misapprehension.

Jovis, 7° die Julii, 1853.

MEMBERS PRESENT.

Mr. Wilson.	Mr. Geach.
Mr. Henley.	Mr. Danby Seymour.
Mr. Cowan.	

JAMES WILSON, Esq., IN THE CHAIR.

Alexander Robertson, Esq., called in; and further Examined.

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3449. *Chairman.*] WHAT objections have you to the Act of 1844?—The first objection I have to the Act of 1844 is that it is inconsistent with itself throughout its various clauses; there are besides various clauses inconsistent with each other; in many parts it is impossible to understand what the meaning of it is.

3450. Mr. *Henley.*] Is that with reference to assurance offices, or are you speaking of the Act generally?—With reference to assurance offices.

3451. *Chairman.*] Will you describe the instances in which you consider the Act defective?—I may state as one instance that it includes mutual assurance offices, and in order to bring them within the operation of the Act, it states that the assured parties shall be described as "shareholders" accordingly throughout the Act the parties assured are described as "shareholders" who in no way and in no sense can be described as "shareholders," except that Parliament has used that term. That is so very absurd that a conveyancer who was consulted in preparing a deed for a mutual office, said, in going over the Act, it was impracticable for a mutual office to be formed under it, "but," he said, "I will tell you what we will do, viz., we will make it a mutual office by an evasion of the Act, making the shareholders a mere farce; explain it honestly at the Registrar's Office, that we wish to be a mutual office, but we cannot comply with the Act; we will therefore be a proprietary office, the directors will advance, say 100 *l.*, so as to make them proprietors." They advanced, I think, half that sum, 40 *l.* or 50 *l.* in all; they have all the clauses applicable to a regular proprietary company for calling meetings of the proprietors, all the clauses as to sales of shares and so on, but

but they take very good care to call themselves a mutual office, and stick the name up over their door, for it really is a mutual office. That sum of 40 *l.* or 50 *l.* is merely paid to comply with the Act. The Act is very well described and remarked upon in an article in the "Law Magazine," for August 1848, and I happen to know that the article was written by the conveyancer who was consulted by the office I allude to.

3452. Mr. *Henley.*] That observation of yours applies to such assurance offices as are on the mutual system?—Yes.

3453. Not to those on the proprietary system?—No; by the terms of the Act every shareholder is required to be registered at the Registration Office, therefore the mutually assured being also shareholders in the terms of the Act, they must be registered at the Registration Office. In the course of a year or two, when offices came to find that they had to register perhaps 1,500 or 1,600, or perhaps from 3,000 to 4,000 persons who were assured members, because the Act said they were shareholders, they found it was expensive and inconvenient; they accordingly applied to the Board of Trade to be relieved from that clause, and the Board of Trade applied to know the opinion the registrar had on the case. It was not very easy to see, in fact I was not aware of any reason that could be given for still adhering to that rule, or for the opinion Mr. Whitmarsh gave, until I found what his evidence was, and what he knew of a mutual office. Being himself an acting director of a proprietary office, he perhaps has not had his attention much directed to mutual offices; but he seemed to say, that amongst the deeds that were sent in to him, he had discovered one deed in which there was a clause restricting the responsibility of the parties connected with the office, and making the claims payable out of the funds of the office only. He seemed to be surprised that he had found that case. The fact is, that there is no deed which has not such a clause. It is not a single instance; there is no deed of a mutual office which has it not; there is no deed of any mutual office, either under the Registration Act, or in existence before that Act, in which there is not that clause, the old Equitable excepted.

3454. Did not Mr. Whitmarsh give that in evidence?—No; the evidence he gave was, that he had found one case, and he was not aware whether there were other cases or not in which there was such a clause as that. The question was, what is in the deed of constitution? All deeds, and all policies contain that clause; there is only one exception to that; there is one office in existence where every partner is responsible to the utmost extent, but there is only one office of that kind.

3455. Is that a mutual office?—No, a proprietary office, "The Liverpool and London Assurance Company." They have either two or three Acts of Parliament, and they put so much value upon it, that they inserted clauses making themselves responsible for the whole amount. The Board of Trade relieved mutual offices from the payment of the fees, but they have not relieved them from the inconvenience, or from any part of the expense, of sending an account to the Registration Office of all the members they have assured. Now, that can do no good; it cannot be of the slightest advantage, if it be the case that the members are not responsible to each other. The registrar gave in evidence that he thought it was of some use sending that return, because a person might there find the names of other parties who would be responsible to him in the event of a claim; but that is not the case; there is no party responsible to him, the funds of the company alone being responsible.

3456. Mr. *Cowan.*] Is it the case that you do send the names of the assured?—Yes.

3457. You consider you are bound by the Act to do so?—Yes; and practically we do it.

3458. Do you do it annually?—Half-yearly.

3459. Mr. *Henley.*] Government relieved you from the payment of the fees?—Yes; there was a small fee, a shilling, for each person assured.

3460. But, of course, they had not the power to relieve you from the obligation of the Act to send in the names?—I do not know whether they had the power; they have not done so.

3461. Mr. *Cowan.*] Is there any penalty attached to your not sending the names?—Yes, there are many penalties in the Act, but the registrar has not the power to enforce them; they are, therefore, of no use. There is one other thing which I consider a very serious objection to the Registration Act; so serious that I do

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I do not know how some mutual offices get over it, or give profits while this Act continues; there is a clause (sect. 27), which enacts, "that no shareholder of any joint-stock company completely registered under this Act shall be entitled to receive any dividends or profits, or be entitled to the remedies or powers hereby given to shareholders, until he shall have executed the deed of settlement of the said company, or some deed referring thereto, and also have paid up all instalments or calls due from him, and shall have been registered in the Registry Office aforesaid." Now, in mutual assurance companies, where all the assured are shareholders, it would be quite impracticable to get your assured to execute the deed; your assured are all over the world; your policies are assignable from one to another all over the world; it is, therefore, quite impracticable; there is no way in which you can get these people to execute the deed; therefore, when a division takes place in a mutual office, if this clause has any effect at all, you cannot give any sum of money to the mutually assured; it must remain in the funds of the company until this clause is repealed. The only way in which I can conceive that you could get over it is the way in which my own company manage it, which is consistent with the intention we had originally, and therefore we do not complain of it so much, viz., that our profits are applied in reduction of future premiums; there is no sum paid to any party, and therefore perhaps that clause would not apply, inasmuch as the profits are applied in reducing future premiums; but I do not see how any mutual office can act otherwise while the Act continues.

3462. Mr. *Henley.*] Do you conceive that under the name of profits the payment of the policy would come?—No; that is a claim.

3463. But the payment of an addition to the policy would?—Yes; many offices give parties options; they say, "You may either have a reversionary sum added to your policy; or you may have a sum paid in cash; or you may get your future premiums reduced." It so happens in my own office that being of opinion that giving selections was always very hurtful, we therefore adopted the principle that a party assured should share profits only by his premiums being reduced; we feared that otherwise the clause would apply to us; it certainly would to other plans of division.

3464. Are you aware whether any decisions have taken place upon the question whether making an addition to the policy would come within the terms of that clause?—I do not think there has been a decision upon any part of the Act, because the persons who have the administration of the Act are quite aware that they can make nothing of it. There it remains; they may correspond with the parties, and ask them to do a great many things, but as to enforcing the Act, that is out of the question.

3465. Do mutual offices divide profits in any other than the three ways you have described?—There is no other way in which they can divide profits that I am aware of.

3466. Then, ordinarily speaking, you would not, in popular language, come within the words "the dividing of profits"?—I think that clause would prevent us dividing profits, but by the reduction of premiums.

3467. *Chairman.*] Is not a reduction of premiums equivalent to division of profits?—We argue otherwise, and we think otherwise. The account we give of it is, that the man has paid more than he ought to have paid from the beginning, and it is part of his own funds, applied to the reduction of future premiums.

3468. So would any profits be part of his own funds; if you pay any man a profit, it must be part of his own funds; you have no other mode of getting profit except the sums the assured pay you?—That is very true; but the Act says he shall not receive profits; they shall not be handed to him.

3469. If a reduction of premiums be no division of profits, would increasing the sum assured be a division of profits?—I have no doubt it would; but there is considerable difficulty in distinguishing between the two cases.

3470. Mr. *Henley.*] Would not the use of the word "divided," and the word "profits" too, rather seem as if it was something of a nature *ejusdem generis* with profits of a joint-stock company, which would contemplate some joint stock or some capital from which it would be paid?—Yes; there is no question that the words were put into the Act in this way: there was no idea when the Act was first framed that mutual assurance societies were to be referred to at all; the Act was for joint-stock copartnerships and joint-stock assurance offices, and the words "mutual

"mutual assurance" are put in at the end of the clause; and I believe they were put in without considering how they would agree with the rest of the Act.

3471. *Chairman.*] Is there any other point in the Act you wish to remark upon?—I was going to remark, that I think there is great mischief in the Act, in the prestige which it gives to offices registering under the Act, particularly in cases where they are connected with friendly societies; and my own decided impression is, that the public will find that there is much real mischief going on at this moment throughout England by offices which are not easily distinguishable whether they are friendly societies or assurance societies, so that people believe they are assuring in assurance societies while they are assuring in friendly societies, or the opposite may be the case, they are assuring in friendly societies in place of assurance societies, and yet thinking they are assuring in societies that have the responsibility of a large sum (100,000 *l.*, or some such sum) as security for their claims. Now, if that is carried on amongst the very lowest orders of people, and if the parties who have the control and management of business of that kind are not really aware of the premiums which will be proper and sufficient in order to assure future claims, I can easily conceive that mischief to an incalculable extent may be committed by the system which is going on at present.

3472. Mr. *Henley.*] In friendly societies?—Yes, in friendly societies. To show the effects of legislation, there are 13 or 14 Acts of Parliament relating to friendly societies, and I think they are in a worse situation than they were at the commencement of legislation.

3473. Have you any evidence of the truth of that; because it is a very serious statement?—I quite feel it is a serious statement I make to the Committee, I therefore do not wish to state the name of the office I refer to.

3474. Do you confine that to only one office?—I confine it to one office.

3475. You do not allude to friendly societies generally?—I now allude to one office; but friendly societies may, if they see how this office is going on in connection with an assurance society, join other assurance offices, and go on in the same way. I well know the particulars of the business which is carried on, which is far beyond that of any ordinary assurance office.

3476. *Chairman.*] Do you believe they are enabled to do that in consequence of the influence and confidence they acquire from being registered under this Act?—Quite so.

3477. Mr. *Henley.*] You have used the phrase that parties are unable to distinguish between a friendly society and an assurance company?—Yes.

3478. Why do you use that phrase?—Because the prospectus is so worded that it appears to be both; an assurance office in one department, and a friendly society in its other departments. Under the Friendly Societies' Act they are obliged to keep their accounts in a certain way; if they are registered under the Friendly Societies' Act they keep the accounts of the two offices quite distinct; one set of accounts applicable to the friendly society, the other applicable to the assurance company; but a person, a common mechanic for instance, reading a prospectus of that kind, and seeing "capital 100,000 *l.*" at the upper part of the page, is very apt to connect the friendly society at the foot of the page with the 100,000 *l.* at the top, that capital only applying to the assurance office.

3479. Does not that only come to this; that a friendly society, and an assurance company being joined together, the security which is held out by the statement of the capital of the assurance company, may, in the minds of the parties entering the friendly society, be equally applicable as security to them?—Yes, and that is so practically.

3480. Friendly societies are under the operation of particular Acts of Parliament?—Yes, friendly societies; some of them comply with certain Acts of Parliament, and if they do comply with them they get what are supposed to be greater advantages; others refuse to comply with those Acts.

3481. If they comply with the Acts, one of the particulars by which they can get the authority you allude to, is that of having themselves certified by some intelligent actuary?—No; that is an expense they have themselves to incur. They are certified by an official actuary, a gentleman who is appointed to certify these things as correct, but they must employ their own actuary in the first instance if they expect to have their computations properly made.

3482. Besides employing their own actuary, do you mean to state in evidence that the question is submitted to an official actuary besides?—Yes.

3483. Are you warranted in that?—There is an officer actually appointed under

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under the Friendly Societies' Act; he has been examined before this Committee, Mr. Tidd Pratt.

3484. Mr. Pratt is not an actuary?—He ought to be an actuary, and I rather think he would call himself one if he were asked.

3485. Is not Mr. Pratt the barrister appointed under the Friendly Societies' Act?—Yes.

3486. Have you any warrant further than naming Mr. Pratt to state to this Committee that the Government take on themselves any inspection by means of an official actuary?—No; I have not anything more than that.

3487. Is it not the fact that the various friendly societies each select their own actuary, who certifies that the scheme, according to his judgment, appending his name as a voucher for the credit of it, is sufficient to secure the objects which it holds out; that goes to Mr. Tidd Pratt, whatever his proper title may be, and then his certificate entitles the parties to the advantages of the Act?—Yes, that is the process, and perhaps I may be wrong in my statement that Mr. Tidd Pratt can be looked upon as an actuary; he is rather a barrister who is employed with the view to prevent anythiug improper in any clause or regulation.

3488. All that Mr. Tidd Pratt was appointed for is to see the various provisions of the Act are properly carried out, and to see, his authority being given to it, that there is nothing in the rules inconsistent with the provisions of the law?—Yes; that, I believe, is Mr. Pratt's office.

3489. And the Government have always directly avoided, have they not, becoming in any way responsible for the propriety or security of those rules, further than seeing them certified in that way?—It appears to me that the Government thinking fit to employ Mr. Tidd Pratt, if they wish to make people know that they are not responsible in any way, and that they must look to themselves, either in savings banks, in friendly societies, or in assurance companies, they ought to make that much better understood than it is.

3490. Can the Government make itself better understood than by the laws that are passed; have they any other means of doing so?—There is no phrase in any clause to that effect. There is a Bill before Parliament just now about savings banks, which says so. I am not aware that in the Friendly Societies' Acts there is any clause which states affirmatively that the Government is not responsible.

3491. Is there anything in the least to imply that they are responsible?—If an Act of Parliament be passed, they who procure it are generally understood to be the Government of the day; and if you ask a common person what his opinion of an institution is which is referred to, or approved of, or whose rules are approved of under an Act of Parliament, he will be very apt to say that he considers that the Government have satisfied themselves that that institution is a good one.

3492. Are you aware of the evidence which was given a few years ago before the Committee, on the subject of friendly societies?—It is some time since I read it; I have read it; I have it not in my mind at this moment.

3493. Do you think there is anything in that evidence to warrant you in coming to the conclusion, or anything like an opinion, against the security of friendly societies?—I cannot answer that question by now referring to the evi dence; it is some time since I read the evidence.

3494. You think it is liable to give rise to a misconception on the part of the persons entering friendly societies, viz. that it is permitted to a friendly society to carry on its business in connexion with an assurance company?—Yes.

3495. So that they may get by that means a false security?—Yes.

3496. *Chairman.*] Are you not aware that Mr. Tidd Pratt's sole duty with regard to these things is to certify that the computations have been made by an actuary?—Yes; I think that is very probable, from what I have heard since I came here. It did not occur to me that I should be asked any questions with regard to Mr. Tidd Pratt.

3497. Are you not aware that the sole duty Mr. Tidd Pratt has, is to certify that the computations have been made by an actuary?—Yes, or that they have not been: in short, he is not responsible, I am quite aware of that.

3498. Have you any other observations to make with reference to the Act of 1844?—I am not aware of anything further.

3499. What do you think as to the possibility of having a guarantee capital in a mutual office?—It seems to me it is just as impossible to have a capital in connexion with a mutual office, as to mix things which are in their nature unmixable; that

that the one is quite inconsistent with the other. The moment you apply capital to a mutual office, it ceases to be a mutual office.

3500. What do you understand by a mutual office, because that has never been properly explained?—I shall be very glad to state what I understand, and what I think ought to be understood by the term; a mutual office is one in which several people, meeting together, say, "We will receive premiums for assurances, the premiums, and the premiums alone being answerable for those assurances; that we ourselves shall have the whole management of our own affairs; that is, we shall not be interfered with by shareholders, and having the sole control of our own affairs, all the profit that is made will belong to us; if profit shall not exist, then the loss of profits and premiums will fall on the parties who have claims." Fortunately, there never has been such a case occurring; but in some offices a provision is made for that; they say, if claims should arise when there are no premiums, those claims shall be paid in the order in which they come in, from future premiums; it is not that the funds which happen to be in hand on the instant are alone responsible.

3501. Then what you mean to say is, that a mutual society is a society where all the parties concerned share the profits, but where they do not share any losses?—Except so far as their premiums are concerned.

3502. They share equally the profits?—Certainly.

3503. The truth is, a mutual assurance office is a trading society, in which all parties equally share the profits that are made, but in which no one is liable for the losses?—That is one mode of stating it. I think if the word "profit" be used, the opposite word "loss" may also be used in the same sense, because the only profit they can make is on their own premiums; the only thing they can lose is their own premiums; but it cannot be called a trading society.

3504. Mr. *Henley.*] You say a mutual society is an assembly of persons who meet together to receive premiums; we want one thing more to make that clear, viz., whether they are to receive premiums from each other, or from each other and other parties as well?—Premiums from each other in the first instance, and from other parties who join them out and out as members of that society.

3505. Who become as the original members of that society?—Yes; accordingly the advantage which a mutual society has, arises in the first place from their having all the profit divided amongst them, and people now understand extremely well that that advantage is very great; they cannot help seeing the immense profits proprietary offices make, and therefore they say, "We would rather have the profits ourselves"; but as Mr. Bailey, when writing on the Equitable, says, though there are great advantages in a mutual office, he thinks the great success of the Equitable office arose more from the fact of the assured themselves having the management wholly of their own affairs, than from any other cause; and the assured put a great value upon that.

3506. *Chairman.*] You say they can only divide the profits which are derived from their own premiums, and they can only suffer losses which may arise in consequence of their premiums being insufficient; is it not quite possible, if any number of people join a Mutual Assurance Society, that if their premiums are based on insufficient calculations, or their expenses are so large as to be inconsistent with the solvency and safety of the society, a certain number of early claims may be fully satisfied, and a number of the last claims may not be quite satisfied, so that those two classes may not be on an equal footing?—Under the supposition which you put a deficiency could occur.

3507. And therefore, although there may be profits made in some of the earlier years, which are equally divided among the assured, the members of the society, there may be losses which are only borne by those who happen to become the last claimants on the society?—Yes; but as a mutual society has the management of its own affairs, every person being equally interested, it is not very easy to conceive such a thing to occur.

3508. Is it not possible that a society may go on with the best and most *bonâ fide* motives, and yet such a state of things may arise from misfortunes, over which they had no control, either from their being very unfortunate in the lives they assured, or from other reasons, or the addition of some losses as to which their own discretion may not be subject to blame?—It is highly improbable.

3509. Is it not quite possible, that without calling in question the motives of

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the parties who conduct such societies, such a state of things may arise?—I think it is scarcely possible.

3510. I ask you whether that is not possible?—Almost everything is possible.

3511. I want to know what distinction you would make between a proprietary office such as you have described to-day, where they make it a condition of their policies that no funds shall be liable for the sum assured except the premiums and the funds in hand, and where they divide a very large portion, almost the whole of the profits which accrue amongst the assured, and a mutual society; what difference, in reality, would there be between that proprietary company and a mutual society where they are also limited in their liability to the amount of the funds in hand?—The first great distinction between them is, that in a proprietary company the assured do not know the state of their own affairs; they trust to the proprietors, who have the management of their affairs. It is very true that some offices profess to give three-fourths or four-fifths of the profits to the assured; but we know very well practically that there are various ways of stating accounts as between the assured and proprietors; and people generally believe, I confess I myself believe, that the assured in proprietary offices, who are said to get four-fifths of the profits, do not get the same four-fifths that they would get in a mutual office. That is the belief generally entertained.

3512. Is it common in proprietary offices for the directors to be paid out of the funds of the society for the management of the business, independent of the share of the profits which they receive?—I understand so; the directors are always paid.

3513. Independent of the profits they receive?—Yes.

3514. Then, so far as regards the payment of directors, there would be no distinction between a mutual office and a proprietary office?—No.

3515. In both cases they would be paid?—Yes.

3516. Then the real practical distinction between the two classes of offices is, that in the one case you think a mutual office has a more perfect control over its affairs, and that it has the whole of its profits divided amongst its assured, whereas in a proprietary office they are not so able to control their own affairs, and not so able to know exactly what profits have been made, and that the profits which are made in that case are only partially divisible?—Clearly; that is the import of what I intended to state. People cannot help seeing practically what happens in proprietary offices. To take one case which I myself am familiar with: there was a proprietary office which commenced with a capital of 8,500*l.*; it went on for five years, and then there was a provincial office which wished very much to be connected with it, and it entered into a transaction with that office, the import and effect of which was, that the shareholders who had received five per cent. on their capital during the five years, received above 100 per cent. of profit at the end of the sixth year. Of course all that 100 per cent. must come out of the premiums of the assured ultimately.

3517. Mr. *Henley*.] That is to say, they got 10 per cent. on their capital?—They received five per cent. on their capital, and 100 per cent. besides.

3518. Do you mean 100 per cent. profit, or 100 per cent. on their capital?—On their capital; a man who had paid 150*l.*, received 300*l.* at the end of the sixth year.

3519. You stated shortly after that as some qualification of it, that they were protected by having the management of their own affairs. How would that operate as a protection?—They would see regularly explained to them the state of their affairs. Any disaster of that kind must arise from the premiums being too low, if such a thing should occur, or from claims coming in heavier than they ought to do, or from some extravagance, which the assured themselves would have the full power of immediately putting a stop to, or altering. I do not see how it could go on until there was any great disaster.

3520. Let us take this case: suppose the premiums ceased altogether, or ceased to such a degree as to be insufficient to form a fund for the purpose of meeting claims, how could the management of their own affairs counteract such a contingency; that is to say, either that fresh parties do not come in to assure, which would be *pro tanto* a less amount of premiums received, or people might even withdraw from the payment of their premiums from some suspicion of their not getting paid the amount assured when the contingency happened?—I apprehend the case put is that of an office falling off in the extent of the business they do;

do; if they do fall off the responsibilities fall off in the same way, that is to say, when they do not get more premiums, they do not incur further responsibility.

3521. We will take the case that up to a particular point, from 1st January in any year there may be 1,000 persons assured in a particular office; for some reason parties cease to have confidence in that office and no more are assured it turning out that the receipts from the premiums of the parties actually assured, are insufficient, from any of the causes you have named, such as excessive expenses, which have been incurred antecedently, unfortunate events as to deaths and so forth, have diminished the fund so that there is a possibility, as you admitted in answer to the Chairman's question, that all the parties assured may not receive their claims, and that the last of them will fall short; now, I want to know how the parties having the management of their own affairs can counteract such a state of things as that?—I think the parties having the management of their own affairs would counteract and prevent any one of those circumstances under which such a case could be brought. Having the management of their own affairs would prevent an expenditure out of proportion to their means. For instance, a mutual office proceeds by degrees; they do not take heavy cases, they assure only for 250 *l.* or 500*l.* until they get up to a good average; and that is an answer to a case that was put to you by the registrar. Speaking upon this point, he talked of a sum of 300,000 *l.* being assured by one office, and he said, "Suppose that sum were to become a claim?" Why you might as well suppose the heavens to fall; you are not to suppose cases of that kind.

3522. Then the result of your answer is merely, that when people manage their own affairs they would be sure to manage them in such a way that such contingencies as those put to you by the Chairman's question could not occur?—Clearly; that is my answer.

3523. That would be the substance of it?—That would be the substance of what I wished to state.

3524. *Chairman.*] In fact you think a mutual office would be better managed than a proprietary one?—Yes, for the assured.

3525. Mr. *Henley.*] People having the management of their own affairs would in your opinion prevent such a loss happening?—Yes.

3526. But if it happened it would afford no remedy?—No.

3527. *Chairman.*] Is not the whole management of a mutual office left to the directors?—No, I do not conceive it is; there are the directors, there are the officials of the company, there are the auditors; these are chosen by the members of the society themselves.

3528. So that they have an opportunity at any time of making a change?—Yes.

3529. Mr. *Henley.*] That is the case in a certain degree in a proprietary company, is it not?—Yes, to a certain degree; the shareholders appoint the chairman and directors; but the assured have not any opportunity of examining into the state of their own affairs in proprietary, as they have in mutual offices.

3530. Do you mean the proprietors, or the assured?—I mean the assured; the assured are in the situation of proprietors, in the mutual office; even the Act says, they are shareholders. In a proprietary office, the inducement to the proprietors to look into their affairs, and to keep the directors straight is the greater profits on their shares; in mutual offices it is getting their premiums secured, and the profits come afterwards.

3531. Both have an interest?—Yes; there are a great many people interested in the mutual, and a few in the other.

3532. *Chairman.*] Do you think the interest is as strong in the one case as in the other?—It is much more extensive; but I suspect the interest of the proprietors is not always the interest of the assured; they have opposing interests.

3533. Mr. *Henley.*] In a mutual company of course the interest, though considerable in each individual, is very much diffused over a vast number of persons, and therefore it is possible that it may not be brought to bear in such a concentrated form upon the direction?—Yes.

3534. *Chairman.*] Is there not a great deal of intricate and difficult matter of calculation necessary for the good management of an assurance office; and if all those intricacies of management are brought before a popular assembly annually, representing a large body of persons assured, and having no professional or scientific knowledge upon the subject, would they be calculated or fit to deal with nice

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questions of that kind; would the interference of a large popular assembly without knowledge of the subject be quite sufficient and adequate to keep the society on a fair and proper footing, or might not that be a source of inconvenience as well as a source of safety?—I do not think so; I think that people perfectly understand their interests in assurance; to the effect of being able to say whether their affairs are managed well or ill. They could not tell you how an actuary came to such a conclusion, or that such a premium should be paid, but they would compare the premiums one office was charging with the premiums of another office. They know who one actuary is, and who the other is, and by comparing accounts, and asking questions of each other, I think that generally the company are quite sufficiently astute to enable them to protect their own interests.

3535. It has been stated before this Committee that it is not impossible that a company may be altogether without funds, and in some cases the annual expenses may be larger than the whole of the premiums received?—Yes.

3536. In such a case there may actually be no assets on hand; and it has been stated by very able and competent actuaries that it does not follow that that company is either in a state of insolvency, or in a hopeless state, as to the protection of those connected with it; do you believe there is any popular assembly, not understanding the science of life assurance, and not understanding the explanation which might be made by scientific gentlemen, that would feel satisfied with that state of things?—I do not think, upon testing each part of it, that they would be satisfied, or that any person would be satisfied with it.

3537. Do you think they would on further reflection?—No.

3538. Mr. *Henley*.] I suppose the fact is, that the actuary's computations in matters such as have been suggested, are only to be taken when applying the terms they use with the greatest accuracy?—There is generally so large a margin added to the real sum required for the risk, that you may be very expensive and very extravagant for a considerable period, and yet your assured will be quite safe; and if you, in the course of such extravagance, are able to maintain those payments from the improving situation of your office, it becomes then a matter of prudence whether you should not do that, and the extent to which you should do it.

3539. Such a state of things as that being submitted to what the Chairman calls a popular assembly, ignorant of the principles of assurance law, such a body of proprietors might possibly think it prudent to inspect the affairs, and see whether that speculative prospect which was held out of future security might or might not be well founded?—Yes, I think it would be very proper.

3540. Very wholesome?—Yes; a very wholesome inquiry.

3541. In your judgment, then, an assembly of proprietors or persons mutually assured, with such things on the face of the accounts, discussing present or possible difficulties which might by future events be rendered not difficulties at all, it would be a very proper course for such parties to look into their affairs and see whether that prospect was well founded?—Yes; I think it would be the duty of the directors of such a company, when they met the shareholders, to be able to answer fairly and honestly every question that is put to them, either saying they have spent more than they ought to have spent, or they have not; if no funds are stated they should show some reason for it.

3542. Do you think there is anything of difficulty and intricacy so inseparably connected with assurance companies as would prevent or ought to prevent the managing parties of such societies being able to give to their proprietary body or parties assured such information as would enable men of ordinary intelligence, which such parties may be presumed to have, an opportunity of forming a fair general opinion of the state of the society?—I do not think there is the slightest difficulty in that; the awkwardness, and the cause probably of people not being fully informed, is, that offices which are not of a great age, or offices which have not been so successful as some others, think they should make a more plausible statement, and give a sort of colour to their accounts, they themselves believing their affairs good, to make the assured believe them superior to what they really are; and by the competition which takes place, and more particularly by your obliging some offices to show their accounts while others do not, there is, I dare say, in some instances, a desire to make things appear rather better than in reality they are, while at the same time they themselves are perfectly convinced that all

they are required to do to make people know that their affairs are good and prosperous is to state the facts fairly.

3543. Parties not having the moral courage to state the naked truth have given a complexion in many cases to these things, and instead of being put into the most favourable light for honest purposes, they probably would be so sometimes for purposes which are not honest?—Perhaps so.

3544. And that, in your opinion, would necessarily be mischievous?—It would.

3545. It throws to a great degree the work of discussing the proceedings upon parties who ought not to be subject to such a thing?—Yes.

3546. *Chairman.*] Did I understand you to say just now, that notwithstanding the competition which exists among assurance offices, the margin of the premiums usually charged is so large over and above the actual risk incurred, that there is room for a great deal of extravagance, without running any risk of involving the company in any insolvency?—No, I do not think my words were so strong as that; what I said was that the margin is so large, there is room for considerable extravagance without importing the insolvency of the company, notwithstanding the great competition which exists.

3547. Have you any further observations?—In the evidence before this Committee, there was an objection taken to some clauses that were inserted in certain deeds of constitution, which the witness said were sometimes improperly put in, inasmuch as the registrar had no opportunity of striking them out; and he referred to one with which I happen to be very well acquainted, as a clause which he thought was wrong in a deed of constitution. It appears to me, that if I wished to refer to a clause, as a proof of prudence and economy in the directors in setting an office agoing, it would be the clause that witness referred to, putting in half a sentence which he left out. The case he put was that of an assurance office, which entered into an arrangement with the manager to give him from the beginning, 400 *l.* a year salary, and four per cent. on the premiums, until the salary reached 600 *l.*; three per cent. until the salary amounted to 800 *l.*; and 2½ per cent. until the salary reached 1,000 *l.*; and a free policy on his own life for 2,000 *l.*, which free policy on his life was to be payable out of the funds of the company. That was the passage as given to the Committee, the conclusion of the sentence being left out, viz. "and that not until the end of seven years from the complete registration of the company." That is an instance of an assurance company finding a manager to take charge of it, whose salary was probably 800 *l.* a year, and who may have been successful in a previous office at that rate, and they say, "It is for the interest of our office to have a manager of experience and knowledge. Will you agree to take 400 *l.* a year, half your former salary, and have a certain per-centage on the premiums coming up to 600 *l.* a year, 800 *l.* a year, and so on, and a policy for 2,000 *l.*, which, however, shall not come into existence until seven years after the registration of the company?"

3548. Mr. *Henley.*] Then if he died within the seven years the policy was to go for nothing?—Not operative until seven years.

Alexander Colvin, Esq., called in; and further Examined.

3549. *Chairman.*] YOU wish to give some explanation with regard to the comparative expenditure of old and young offices?—That is a subject which was commenced and not completed on a previous day. I would wish to point out that there are certain expenses attaching to the Registration Act itself, expenses which fall upon the registered offices, which did not fall upon the older offices; for instance, the first thing a projected company must do, is to provisionally register its name; then it has to get up a deed of settlement, which has to be subscribed to the extent of a fourth part of the proposed capital, and certified by the registrar, before it is allowed to completely register. The old offices could commence by taking premiums and getting up their deed of settlement at their leisure; in some cases it was not got up until the second or third year, but they commenced on the first day to take premiums. The registered offices are not allowed to take premiums until their deed of settlement is completely registered and certified by the registrar. I find in the case of the 28 offices to which reference has been made, that there is an interval between the provisional and

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complete registration of from two-and-a-half months to about 16 months; on the average, about seven months elapse between provisional and complete registration; during the whole of that period, expenses are going on, but the offices are precluded from receiving premiums; and therefore, though there has been an apparent existence for so long a period, yet the actual business existence of the office is seven months upon the average less than that; therefore there are expenses extending over seven months which must be allowed for, in any comparison you institute between those offices and old offices, those expenses being directly entailed upon them in consequence of the Act itself.

3550. Mr. *Henley*.] What expenses do you mean when you say seven months' expenses?—The company must have a local habitation as well as a name; there must be parties employed to draw the deed of settlement, and get it subscribed, therefore all the time expenses are going on. This is also to be borne in mind, that the Joint Stock Act of 1844 does not apply simply to life assurance companies; it includes all kinds of joint stock companies; and the registrar has stated, before this Committee, that in some cases complaints have been made of the delay which arises at the Registry Office itself, that deeds are lodged there for some time before they get a certificate. He mentioned an instance in which he had 19 deeds in the office at one time, and was obliged to take them up in the order in which they came in.

3551. Mr. *Cowan*.] The effect of the Act, as I understand you, is to prevent a company doing business until it is completely registered?—Yes.

3552. Mr. *Henley*.] You do not mean to allege that this delay which you state to be an average of seven months, has arisen from delay in the Registry Office?—No, it has arisen from the provisions of the Act preventing the offices from taking premiums until they are completely registered. The old offices could commence taking premiums immediately.

3553. The delay you allege, which according to your statement is an average of seven months, is a delay occasioned by the parties being obliged to comply with the provisions of the Act; that is to say, they do not get their deed of settlement in the state which the Act requires it to be in?—No doubt it arises from various circumstances; the fact is, with respect to these 28 offices, that they have been in a state of abeyance for seven months on the average.

3554. Have you given one as a period of 16 months?—Yes.

3555. I understand the state of things was, that the delay arose from this circumstance: that two or three designing persons, or not designing but sanguine persons, wished to set up a company, and had totally failed in getting the members of the company together, until they had formed that which had only existed in their own minds before?—I cannot state the cause of the delay; but that company, which was in that provisional state for 16 months, is rather a peculiar case, because it is an office which stands in this very table as having been in existence only one year. It had been in existence only one year as regards the receipt of premiums, but it had been in existence two years and four months as regarded expenditure.

3556. Of the requisites they comply with on their part, one is that the company shall be in existence?—It is in existence when it is completely registered; you are allowed to commence business then.

3557. What do you mean by being in existence; you say that company had been in existence two years and four months, and was only allowed to take premiums one year?—Reckoning from the date of provisional registration; the expenses commence from that time.

3558. According to your view, when a number of individuals, small as it be, choose to go and register a company provisionally, it is in existence?—Provisional existence.

3559. *Chairman*.] Are you aware from what period the date of the existence of that office is taken; is it from the entire registration, or from the provisional registration?—In this table it is taken from the date of complete registration.

3560. Mr. *Henley*.] The only difference, I understand you to say, is the expense of preparing the deed; whether that is thrown over a period of seven months upon an average, or one month, or 16 months, the expense of preparing the deed must be the same, I suppose?—Perhaps so; but still the manager would most likely be connected with the office from the earliest date.

3561. The manager of what?—The gentleman who is to take the future management.

3562. You

3562. You think he would be paid in anticipation?—Not in anticipation, but for services rendered.

3563. He would be paid, in fact, for promoting the company, and not for managing the business?—Yes.

3564. *Chairman.*] That would be preliminary expenses?—Yes; I mean these expenses and others besides are thrown on the younger offices in consequence of the Registration Act, and allowance ought to be made for that in any comparison that may be drawn. The object I have in view is to show that the difference, which has been alleged by some witnesses to exist between the expenses of old offices and new ones, arises from there being so many dissimilar circumstances between the one and the other, that the comparison ought to be abandoned.

3565. What you say is, that there ought to be a certain period taken off the average duration of these new companies for the loss of time prior to their actually commencing business?—Quite so.

3566. During which expense was being incurred?—Yes.

3567. You think that does not apply to the old offices?—It does not.

3568. You think the old offices commenced business as soon as they were in existence?—Yes; 10 or 12 gentlemen met and agreed to form an assurance company, and that same day they might have received premiums.

3569. Do you think, practically, a complete company for the purpose of assuring lives could be got up in one day, or one week, or one month, or whether probably several months would not be required for the purpose of getting shareholders together; getting their deed of settlement arranged and signed; getting their capital paid up, and a variety of preliminary matters, before they could actually commence business?—All this no doubt involves delay, but the old offices could take the premiums, even from first.

3570. But could a company be taking premiums until it was actually formed; you are aware a company could not be formed until its deed of settlement had been both arranged, agreed upon, and actually subscribed; made agreeable to the views of all the parties interested, and finally settled and signed?—Yes.

3571. It would not be a company until that was completed, and that must necessarily take a certain number of months?—Yes; but they could and did take premiums during that time. We, on the contrary, are prohibited by the Act from doing so.

3572. How could they take premiums; until they had actually signed their deed of settlement, the company was not formed?—They did do so.

3573. Mr. *Henley.*] Who signed the policies?—The directors.

3574. How could they become directors until there was a deed of settlement?—They would appoint themselves to be directors.

3575. *Chairman.*] Do you speak upon this subject from actual knowledge, or is it that you suppose that it has been done?—I have been informed by gentlemen connected with the old offices that they did so.

3576. Do you mean to say they went on doing business when they were not constituted into a company, having, in fact, no constitution, no deed of settlement, taking premiums and signing policies during the whole of that time?—Yes; so I am given to understand.

3577. Suppose such a policy were sued upon in a court of law, signed by three gentlemen professing to be directors of a company, which company was not in existence?—I should presume the deed of settlement when executed would take in all the previous business.

3578. Would have a retrospective effect?—Yes. It has been stated before the Committee, I think, by the registrar, that in some cases since 1844 offices have commenced business before they were completely registered; I was not myself aware of any cases of the kind, but I do find, on looking through the accounts that Mr. Thomson's office, the "Colonial," really did begin business before they were completely registered, but in their deed of settlement they have a provision that although the deed was executed on such a day, it should be held to be executed on a day some six months previous, thereby bringing in all the business on the policies they had done in the interval.

3579. Then the only object you have in view in this, is to show that the comparison which was made was made under circumstances that were not sufficiently advantageous to the young offices?—Yes; the circumstances are altogether so dissimilar, that the comparison ought to be abandoned, or some more careful investigation should be made before any argument is founded upon it. I should

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mention also that three of the offices in this table are guarantee offices as well as life offices, and it would be absurd of course to value those guarantee policies by the tables of mortality, though that has been done by previous witnesses. There is one other point as regards the expenditure, viz.: that two old offices gave in by-gone times 150,000*l.* each to the Crown for a charter. They were each to have paid 300,000*l.*, but after paying 150,000*l.* each, they made an appeal *ad misericordiam*, and got the other 150,000*l.* remitted.

3580. In what year was that?—Somewhere about the commencement of the last century (1720). I merely mention that circumstance to show, that the sums which those two offices paid for their charters amounted to almost exactly the total expenditure of these 28 offices in the $3\frac{4}{10}$ years during which they have been in existence, and that it would be a very easy matter to draw up a table of comparative expenditure which should tell enormously in favour of the registered offices.

3581. Mr. *Cowan.*] How do you arrive at that fact?—It is mentioned in a work recently published on the subject; Mr. Francis' "Annals, Anecdotes, and Legends of Life Assurance."

3582. *Chairman.*] Have you any observations to make with regard to the meeting of actuaries to which Mr. Jellicoe alluded in his evidence?—Yes; on the second resolution mentioned by Mr. Jellicoe, an amendment was moved to this effect, "That the Institute of Actuaries having fully considered the history of life assurance, the advantages received by the public while its practice was unfettered by legislative restrictions, and the injurious effects of the 7 & 8 Vict. c. 110, are of opinion that any attempt of the Legislature to check the formation of new assurance companies, or to regulate existing ones, can only tend to the injury, and not to the benefit, of the public." That was the amendment that was moved.

3583. Was that carried?—It was not carried; but the original resolution was only carried by a small majority.

3584. That amendment was supported by a considerable number?—Yes; I merely mention that to show that there is a strong feeling amongst a considerable number of the members of the Institute in favour of non-interference. I may also mention, that another amendment was proposed on that occasion, but it was only supported by the mover and seconder, and one other member; that 50,000*l.*, instead of 10,000*l.*, should be the amount required to be deposited. That received no support from the meeting.

3585. Mr. *Cowan.*] Did that take place after the appointment of this Committee?—It took place shortly after the appointment of the Committee.

3586. *Chairman.*] Had it reference to the evidence given before the Committee?—No; and it was debated at the meeting whether it was competent to the Institute to give any opinion at all upon the subject.

3587. Have you any opinion to give with reference to Mr. Whitmarsh's and Mr. Taylor's evidence, with reference to the offices whose accounts are registered?—Yes; the first point I would refer to is the alleged unintelligibility of the accounts. Mr. Whitmarsh made some strong observations upon that. I think if you look the accounts through, you will find that taking them as a statement of receipts and expenditure simply, they are tolerably intelligible at all events. Some may be not so minute as some persons may desire, but to say that they cannot be understood is, I think, going too far. Mr. Whitmarsh said that not more than one person in 500 could understand such accounts at all.

3588. Mr. *Henley.*] That may be a matter of opinion?—Yes; but the publication of accounts pre-supposes a certain amount of intelligence in those to whom they are sent.

3589. *Chairman.*] Do you not think they are deficient in details?—Some of the accounts which have gone most into details have been attacked as the most defective.

3590. Their accounts may be easier to deal with when confined to a statement of receipts and expenditure; but do you suppose that a simple statement of receipts and expenditure is all the Act contemplated in requiring accounts to be furnished?—I think as regards assurance offices it does not require such a valuation as is gone into for the purpose of dividing profits; I do not think the Act contemplated an annual valuation of the assets and liabilities of an assurance company.

3591. Do you think the Act did not contemplate any statement of the assets or funds in hand; is there anything in the Act to lead you to think that the Act contemplates

contemplates a simple statement of receipts and expenditure?—I think as regards assurance companies that was all that could have been contemplated; but it must be borne in mind that the Joint Stock Act applies to all sorts of companies, and it might be a very simple matter for another description of company to state its affairs, but it is not so easy for an assurance company.

3592. I thought you stated to us on a former occasion, that your impression was, that the meaning of the Act of Parliament was so different from what you have now stated, that you actually went out of your way to make an account much more extensive than you afterwards found to be customary or necessary?—I did; the Act merely says, a full and fair balance-sheet; there is no authority to determine what a full and fair balance-sheet is; the Act itself does not specify.

3593. But if you see an account of a life assurance company, or any other company, and it contains a statement of how much money is received in the course of the year, and how much is paid, and those two matters of fact only, do you call that a full and fair balance-sheet of the affairs of the company?—Not as regards an ordinary joint-stock company; but a full and fair balance-sheet of an assurance company cannot be made out unless it goes into a valuation of all the policies, and I do not think the Act contemplates any valuation of that sort.

3594. Do you think any account could be called a full and fair balance-sheet, which took no notice of the assets on hand? Do you think that any account which did not include that element, whatever else it included, could be called a full and fair balance-sheet of the affairs of the company?—The assets on hand can be deduced from the receipts and expenditure.

3595. Would any one single account of the affairs of the company at the end of the year, a simple statement of the receipts and expenditure for that year, be called a full and fair account?—The affairs of the company are not strictly known by any statement which does not include a valuation of all the assets, and a full and fair valuation.

3596. Mr. *Henley*.] Be it an assurance company, or be it any other joint-stock company, in your judgment, can an account be called fair and full which does not contain an account of the assets of the company amongst other items?—The assets of the company are virtually included in a statement of receipts and expenditure; they can be deduced from that; if 5,000 *l.* were received and only 2,000 *l.* were expended, there must be 3,000 *l.* remaining as an asset.

3597. That would be a matter of inference and deduction to be made out from the figures. But I ask you whether an account can be considered fair and full which does not on the face of it state in figures what are the assets of the company?—But assets ought not to be stated without the liabilities.

3598. We will come to the liabilities presently; the assets are one thing, the liabilities another; in your judgment, ought they or not to be stated?—They ought to be stated in a complete balance-sheet, but I think the form which Mr. Thomson suggested is a very proper one; that you should confine yourself to receipts and expenditure annually, and periodically give a complete statement of your affairs.

3599. That is another matter, at what periods such accounts might be fit and proper to be rendered; but Parliament having required that there should be a statement at a certain time, whether it be one year or seven years, can it be, in your judgment, a fair and full account if the account does not show, upon the face of it, what the assets of the company are, whether it be an assurance or any other joint-stock company?—My opinion of it is, that you ought not to take any step towards making a balance-sheet unless you do it entirely. (*The last Question was read by the Short-hand Writer.*) That is a question to which I think it is hardly fair to expect "Yes" or "No" as an answer. I think an imaginary balance-sheet ought not to be prepared, and if a balance-sheet be prepared at all, it should go minutely into the affairs of the company.

3600. I am not asking about an imaginary balance-sheet, I am asking about the items of the balance-sheet?—That item ought, of course, to be in a balance-sheet, but it ought to be accompanied by other items; you ought not, in an assurance office, to publish an annual statement of assets without going into the liabilities.

3601. *Chairman*.] You think, as well as stating the assets, in order to make the account intelligible and just, there ought also to be a statement of the liabilities?—Quite so.

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3602. Those assets might arise either from monies actually in hand, or they might arise from calculations upon what payments the company were going to receive, and the liabilities put upon the calculations, viz., what the company might be expected to pay upon certain contingencies?—Yes.

3603. And you think those things ought to be stated to make a fair and proper account?—Yes.

3604. And, in your judgment, that could not be conveniently done under a period of how many years?—I think that account ought only to be lodged at times when the offices themselves, usually for the purpose of the division of profits, get up a balance-sheet themselves, so that the time of lodging it at the Registration Office would be the same; I do not think the Legislature contemplated imposing upon assurance offices anything beyond this.

3605. If the Legislature impose the furnishing of an account, to make it of any value, to show the position of the society, it ought to contain those elements?—It ought to contain those elements, undoubtedly.

3606. At what period, in your judgment, would it be a reasonable thing for the Legislature to require such an account to be rendered?—I think an office ought to be in existence five years before such an account should be required.

3607. And after those five years?—They ought to lodge an account at the times prescribed by their various deeds of settlement; some prescribe annual valuations, some triennial, and so on.

3608. You think that taking a period of less than five years, on account of the small amount of business that probably might be done, at least as compared with the expenses, would give a view of the position of the office which would not be equitable or just?—Yes.

3609. That is the ground why you fix such a period as five years?—Yes. I also wish to point out that there is so much trouble in getting at the materials for such an account annually, that, unless at times when the office is obliged to do it for purposes of their own, it would be almost impracticable.

3610. You mean the expense and trouble would be too great?—Yes, and I believe that is the sole reason why the registered offices have not lodged more complete balance-sheets.

3611. Do you wish to make any further remarks?—I would wish to mention that every office publishes, in connexion with its balance-sheet to its shareholders, a report of its proceedings; and there are many things which may possibly appear unintelligible in the account itself, which are explained in the report.

3612. That does not affect the question of the return under the Act of Parliament; that does not appear in the Registrar's books as an explanation accompanying the account?—I think it would be better that both the report and the account should go before the Registrar, if the account is required at all.

3613. Have you any other observations?—Mr. Whitmarsh said that the accounts were all manufactured for the purpose of registration, and that in some cases the offices had lodged one account with him, and delivered a different account altogether to their shareholders. That is a very serious accusation; I have not been able to find any instance of the kind.

3614. Mr. *Henley*.] You have just stated that certain accounts have been rendered to the Registrar-general's Office, and that those accounts have been rendered to the shareholders, accompanied by explanatory statements?—Yes; that is the directors' report.

3615. Then the fact is, that in certain cases one particular account has been lodged at the Registrar's office, and a distinct account, a better account, has been presented to the shareholders or policy holders?—The only difference is the report; the account is the same.

3616. Then the report accompanying the account, rendering it intelligible, and giving perhaps a totally different view from what the account rendered to the public bears upon the face of it, that might have led to such a statement as you presume has been given in evidence by Mr. Whitmarsh?—No, that is not the charge; the charge is, that one balance-sheet has been given to the shareholders and another balance-sheet has been lodged with him.

3617. In some cases?—Yes; that is a very serious accusation for us as a body to lie under; I think if that has been done by any offices at all, the offices should be named.

3618. If not true in terms, if the facts be as you have stated them, namely, if the account itself has not been intelligible which was rendered to the public, and

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and there has been made to the proprietary body a report which rendered that account intelligible, or put a different face upon it, that in substance would be nearly the same thing, though not the same in terms?—I do not think that is what Mr. Whitmarsh meant.

3619. That really would be so?—That would not be making any alteration in the account itself.

3620. Certainly not in strict terms, but in point of substance and in truth the effect would be the same?—I think not.

3621. *Chairman.*] Are you prepared to say that you have examined all the accounts, and that you have found no instance of the kind?—I do not think that I ought to be called upon to prove the negative; I have never done what is charged, and I know many others who have not done it. What I say is, that if Mr. Whitmarsh's statement be true in any case at all, that case ought to be specified. I wish distinctly to state that my office has never done any such thing,

3622. You say it has been stated before this Committee that some offices have rendered one account to the Registrar's office, and another account purporting to be for the same year to their proprietary; and you are desirous of stating that, so far as you know, neither in your own office, nor in the other offices of which you have any personal knowledge, has that been the case?—Certainly; I have made inquiries on the subject within my own circle.

3623. With your office, and with other offices with which you are connected, or of which you have any personal knowledge, such has not been the case?—That is so.

3624. But you cannot undertake to say that that has not been the case with other offices with which you have no connexion?—I do not pretend to say that. I think, however, it ought to be ascertained whether Mr. Whitmarsh referred to assurance companies in making that statement, because in a great deal of his evidence he referred to joint-stock companies generally.

3625. Is there any other point?—I should wish also to make an explanation. Mr. Pateman, in his evidence, mentioned Mr. Alfred Burt as the projector and first manager (I think he called it) of my office. Now that is not correct. The office which Mr. Alfred Burt started never went beyond provisional registration; it was an office with a somewhat similar name, but it was not the same office.

3626. Not the same name?—Not the same name either, but partially resembling it. Mr. Burt was never in our office in his life; the office he did start went to the ground. I know nothing of Mr. Burt's private character; but as it has been stated that he was the founder of our office, which is not correct, I merely wish to state as a matter of fact, that the office he started was an office with a somewhat similar title, but not the same. There is one other point, viz., that provisional registration has been put forward a good deal, and more importance attached to it than need be: every change of name has been put forward by some parties as the formation of a new company, and the number of companies formed has been magnified by that process. Provisional registration is simply paying 5 *l.* to register a name. That name may be varied before complete registration as often as you please to pay a fee of 1 *s.*; and if every change of name is to be put down as the registering of a new company, one company might easily be put down as nine or ten companies.

Francis G. P. Neison, Esq., called in; and further Examined.

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3627. *Chairman.*] WHEN you were examined last, you expressed a very strong opinion against the interference of the Government with assurance offices; do you wish to state any examples of the evils arising consequently from Government interference?—During the last few years, I have been a good deal mixed up with assurance transactions on the Continent, and I think I can prove clearly the injurious effects of such interference on the spread of life assurance in various states of the Continent. In fact, although some of the best conducted life offices are on the Continent, still the spread of assurance by means of the local companies has been very slow; and I think I am prepared with a considerable amount of evidence to show that the great bulk of the transactions on the Continent take place in assurances by English offices.

3628. To what do you attribute that?—To the concessions, which are of a very difficult nature, required by the local governments.

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3629. You mean the permission to execute that profession?—Yes; the permission is given contingently on certain conditions being complied with. Perhaps I may give you an extreme instance of its operation, and then some intermediate ones. Up to 1836, business in assurances might be transacted in Prussia by any party whatever. A company at Gotha, which has the largest number of lives in the world assured, if we except a few of the friendly societies, had up to that period transacted a very large amount of assurances; a restriction was in that year placed on other companies transacting such business, of a nature to which I will shortly refer; but the Gotha Company was still permitted to transact business as before, and up to the present time has transacted a very large amount of assurances. At present I suppose there are at least 16,000 lives enrolled on their books; that is, existing transactions. The Lubeck and Leipzic were in a similar position with the Gotha Company. In 1836, the Berlin Company was formed, with the exclusive privilege of transacting assurance business for the period, I think, of 15 years; I think the time expired in 1851. One or two English companies, but chiefly fire companies, did establish agencies in Prussia prior to the year 1836, and still retained the privilege, but their transactions were chiefly directed to the effecting of fire assurances, although they also did some amount of life business; but, what is a remarkable circumstance, that notwithstanding this restriction in Prussia, so great was the desire to have assurances effected, and as the peculiar constitution of the Berlin Company having prevented it from holding out those advantages which the people desired; assurances were effected by a considerable number of London companies in a clandestine manner.

3630. What do you mean by a "clandestine manner"?—Being contrary to the laws of the country. No doubt the intention of the Prussian Government was to license the Berlin Company only, and the other companies I have referred to, to transact assurance business; and consequently the appointment of agencies was strictly prohibited by an express clause in the privilege granted to the Berlin Company; but that was evaded; and I think the fact of the evasion shows that the restrictive measures were injurious to the people of Prussia; they appointed what were called correspondents, who were, in fact, agents; they tried to evade the terms of the clause prohibiting the appointment of agencies, by giving them another designation, viz., by calling them correspondents, and a large number of assurances were transacted in that way.

3631. If I understand the nature of that company's privilege, it is an attempt to give a monopoly to that one company?—Yes; I wish to mention that as an extreme instance of Government interference on the Continent.

3632. Mr. *Henley*.] I wish to know what was the rate of premiums of that Berlin Company, which is stated to have that monopoly?—Its rates of premiums were very much like those of the old institutions in this country; in fact, an echo of the practice in this country at the time it was established.

3633. That is to say, they would be higher, relatively, to the more improved view which has been taken in this country of the value of human life?—Not high with reference to the practice of assurance companies, but high generally. I do not think there is a very great disparity in the rates of premiums, with the exception of one or two of the offices.

3634. What are called the old offices in this country have higher rates of premiums than newly established offices?—Some of them have; and others have lowered their rates latterly.

3635. I understand one of the Berlin companies takes the same rates of premium as the class of offices in this country who may be considered as having high rates?—Yes; but still there is very little disparity between the rates of the Berlin office and some new offices. I do not think the particular scale of premiums has had much influence on the results.

3636. *Chairman*.] What other illustrations would you wish to state?—In Bavaria, where assurance has made but little progress, the terms of the concession are exceedingly difficult; as also in several other states of Germany. One of the terms of the concessions in a great number of these states is, that a certain sum of money must be deposited in some securities approved by those Governments, as a guarantee for the protection of the subjects in the transactions they may have with assurance companies.

3637. Mr. *Geach*.] Will you allow me to ask you what were the peculiar disadvantages of that company at Berlin which had the privilege for 16 years, which prevented

prevented persons from assuring with it, in your opinion?—I think, comparing it with many companies in this country, there would be little or no difference; but one company would not suffice to supply the wants of the general population of any country of the importance of Prussia.

3638. But you say there was a great deal of business done by English companies in competition with that company; what was the reason, in your opinion, why they preferred the English companies to that Berlin Company, if that was then doing the business on the same terms as the English companies?—Taking the company with reference to the period at which it was formed, and comparing it with companies recently established, its general features are very much the same. Very often there is a new company, introducing what may, even by those familiar with such companies, be considered an unimportant feature, although in fact not of serious importance, but still of so popular a nature that the public would be caught by it, and go to those offices. Still, however, even if it were possible to show that there really were some disadvantages connected with the Berlin Company, I am of opinion that they would not be sufficient to account for the immense amount of business going elsewhere. Business is got by the activity of the agents canvassing and seeking for it. That is the way assurances are got in England to any extent now, and I believe it is very much the same elsewhere.

3639. There being only one company with exclusive privileges there, the attention of the public of Berlin was not called to the advantages of life assurance in the way it would be, if there had been a large number of companies competing with each other, and having an interest in bringing the general benefits of assurance before the public?—That is precisely what I meant to state; therefore, I think that the interference of the Government in that case is an extreme example of the danger of it.

3640. That is by confining the business, so far as the Government have interfered, to one company?—Yes.

3641. Mr. *Henley*.] Does the Berlin Company allow commission to agents or correspondents?—Not having the accounts with me, I cannot charge my memory with giving an answer.

3642. That is a great element?—Yes.

3643. I suppose it is the commission to solicitors and agents which we have been speaking of in this room, which stimulates them to bring the advantages of life assurance before the view of their clients?—There is no doubt upon that point.

3644. *Chairman*.] You do not suppose that from the increase of life assurance any demand would arise for interference of that kind which does not arise from other trades?—I think there is nothing in that respect in life assurance different from any other commercial enterprise; it is a mere buying and selling of a commodity.

3645. I want to know whether we are to understand that you connect that monopoly of a single company with the regulations or restrictions, or whatever they may be called, which the Act of Parliament imposes upon assurance offices in this country, or whether it is not the fact, that instead of having had the effect of limiting competition, there has been a great number of offices coming into existence, and greater competition has arisen since that Act passed than in any equal number of years before it existed?—I think I can succeed in connecting that instance of an extreme monopoly with something which either exists, or is quite possible to exist in this country. I can, in my own mind, connect with the investigation of this Committee very serious and solemn consequences; I think that an immense deal will depend on the report of this Committee as to the future progress of life assurance in this country. I feel, in a very strong and decided manner, that Government interference with life assurance, above all other matters of enterprise, is to be feared, as being calculated to bring about dangers, and as being fraught with many evils; I am therefore very anxious, if I can possibly do so, to bring before the Committee examples which seem to me to have a strong tendency to show that wherever this Government and other governments have interfered, they have done mischief. To avert any calamity of that kind befalling the assurance institutions of England, they should certainly be looked to as a beacon and guide to warn all against government interference with business.

3646. Mr. *Geach*.] You have told us of one instance in which a monopoly has been established; are there other instances of the injurious operation of the interference

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ference of the Government in the way you deprecate?—I shall now mention one or two examples which are types of others, viz. Bavaria and Hanover, and I can, if the Committee wish, give a list of some 20 or 30 states in Germany, as to the kind of conditions which are necessary to warrant a concession for the transaction of life assurance business being given; and I think, throughout all these, the Committee will find that they establish this conclusion, that in the states on the Continent in which the restrictions are exceedingly severe (and they chiefly relate to a deposit of funds), local assurance companies have not been formed, and assurance transactions among the people themselves are exceedingly limited. I will supply, so far as I am able, the facts for this argument. Before the local governments of Germany directed much attention to assurance transactions, that is, in the year 1828, the Gotha company was established; and it was the second company established in Germany, and the only one that was progressively ramifying itself over the different German states, and thereby has directed the attention of the various governments to assurance matters. The reports of the Gotha are an example to all other companies, wherever they may be established; they give not simply a statement of the financial accounts, but all the details connected with the assets and liabilities in every way; and they go further; they show not only an account of the transactions, but the various states in which they have transactions, and the magnitude and number of those transactions. The importance of those accounts soon attracted my attention, and about three years ago, the year in which the British Association met in Edinburgh, I made an analysis of the transactions of the company, from its establishment in 1828 or 1829, and I read the results in a paper to the British Association at that time, and it has since been transferred to the Journal of the Statistical Society. In that journal you will find the paper containing an analysis of the accounts I now allude to, showing the number of the transactions in the different states; and if you connect the paucity of these transactions, having reference at the same time to the extent of the states, and the population, with the restrictions which prevail in those states as to transactions and agencies, you will find it follows a pretty uniform law. It might seem strange that that should be so, even with the Gotha Company; for although the Gotha Company has concession privileges and can transact business, still, from the want of competing assuring offices, the people have not been so instructed and informed of the benefits of assurances, and the advantages to be derived from them, as to recognise the principle in any important degree.

3647. Mr. *Geach*.] Does not it follow from the habit of the people of the Continent to fetter all their industrial pursuits with Government regulations, rather than the particular case of life assurance companies?—I think I could show that the habit of the people in Germany, at all events, is much more akin to the principles of assurance than in this country or America, where men are beggars to-day, and princes to-morrow; there is much less of that in Germany; they are much more simple in their habits, and they are much more provident; and amongst such a people there is always a greater disposition to provide against the uncertainty of life by assurance. Practically, that is so.

3648. What are the particular restrictions which are put on assurance companies in those states where you say they do not progress?—The chief and most oppressive restriction is the necessity of depositing capital.

3649. Can you tell us what amount of capital they require?—It varies very much; I happen to be lately connected with a company which has had practical experience in the matter. The company to which I refer started with a capital of 20,000 *l.*, and transacts business in Germany to a very considerable amount; perhaps transacting a larger amount of assurance business in Germany (indeed, I think, I may say, decidedly so) than any other English company, and there are a great number in the field. I found that to comply with the demands of the various states would require, not merely that 20,000 *l.*, but very nearly a million and a half of money, if the system of agencies had been ramified over the whole of the Continent of Europe, in the same manner as it is practically done over the counties of England. I have been recently in negotiation with one very small state indeed, in which a capital of about 8,000 *l.* would be required for that state alone in order to appoint but a very few agents, and, of course, it would not be employed to advantage; and there is no fair prospect, at least immediately, of getting any adequate return for a deposit of 8,000 *l.* Of course, the interest paid is exceedingly small, and besides, it would be doing an act which the managers of the company think would be scarcely a justifiable one; it would be sacrificing

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to a mere section of its assurers 8,000 *l.*, and thus depriving those who really produced the 8,000 *l.* of that portion of the capital.

3650. Does it not come to this, that you are called upon by a very small state, and for a very limited business, to deposit 8,000 *l.* in some place in Germany; is that any reason why you should not be called upon to deposit 10,000 *l.* before you establish an assurance company, in which you may have all the assurances of Great Britain, and of the world, if they like to take your policies, for your field of operations?—It would be some reason, but I do not think that of itself would be a sufficient reason if there no other elements in the consideration; but it seems to me the effects which are produced from insisting on a deposit in those instances in Germany would be, to a greater or a less extent, also shown by any similar legislation here.

3651. It would be pretty much as if you were to have a deposit of 8,000 *l.* for a company for every county in England, or perhaps for less than a county, for every division of a county, and that your business should be limited to those divisions of counties?—Yes; besides whatever influence such a restriction as insisting on a preliminary deposit may have on assurance operations, I think the effect of Government interference in such a concern, viz. a mere trading institution, which is the only sense in which I can regard life assurance companies or societies of whatever kind they may be, is shown by the effect produced by the way the Government has interfered with friendly societies and with savings banks; I think there is here a most striking illustration of the want of wisdom in such interference.

3652. Mr. *Henley.*] You have stated that one of the elements why you think the foreign assurance companies have not got so much business as might be expected, is the necessity for paid up capital?—That is one of the reasons.

3653. Are there any other conditions of a prominent nature which have been imposed upon these companies which you wish to state besides?—One of the conditions is, in fact, the very condition which seems to have occupied so much the attention of this Committee, that is, the publication of the registered accounts. The Hanoverian Government is, at the present time, addressing all the institutions in England as well as on the Continent, who have had any assurance dealings in Hanover, and wishing a statement of all the financial affairs of the various companies and their agencies there, and exacting, very probably, that kind of information which some have admitted would be beneficial, if required by the Government of this country. That requirement has been considered, to some extent, a prohibitory one to the establishment of agencies.

3654. Are these accounts, which have acted, or been supposed to act, as a prohibition in some of the instances which you have stated, different entirely from those perfect accounts which you have stated to have been rendered by the Gotha Society, which has been a very successful society?—The Gotha accounts are furnished voluntarily, not compulsorily.

3655. But if the publication, voluntarily, of these perfect accounts by the Gotha Society, has not impeded its doing business, why should it be a hinderance to doing business, the adopting of such a process by operation of law?—I think I could show why; but there is no doubt of the fact itself, that it is a hinderance. There cannot be two opinions upon that. I would allow any society to publish, anywhere they choose, as an advertisement, if they can make out such an account as the Gotha Company has done, and as some other companies in this country have done with great effect; let that be done; but whenever the Government makes it compulsory, then that which would be agreeable and effectual under other circumstances, ceases to be so.

3656. I understand your view of it to be, that companies would only publish accounts when they could show a favourable state of affairs, and so publish them for the sake of inducing parties to do business with them?—Generally those are the circumstances in which they would be published.

3657. And you think to compel parties, who cannot show such accounts, to publish the state of their affairs, would be an inducement to parties not to do business with them?—Yes; but still I do not think the accounts would of themselves generally entirely govern any party whatever, either the Government, or intending assurers, or those who may already have had transactions with them.

3658. But if you argue it as a material point, which is to prevent both parties setting up companies, and parties assuring in them, it must be only because of the inference, that if parties did not publish accounts, their affairs would not be in a

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satisfactory condition?—I believe that the accounts in all instances, when really very satisfactory, are made public in some way or other; for the parties managing the affairs being men of intelligence, do voluntarily have their accounts made public; I should judge so.

3659. That is, when a man's breeches' pockets are full he has no objection to show them, but he does not like to show them when they are empty?—It will also depend on the constitution of the company; I mean financially. Where there is a body of proprietors absorbing an immense sum of money, as is the case in many assurance companies, they may really have first rate accounts as regards the mere financial statement, yet they might be deterred from publishing those accounts, showing the immense sums of money they are receiving; that might be a motive for withholding them from publication; I do not know that it would always prevail.

3660. Can you give any information as to the 30 states you said you could put in a list of, as to their practice of employing agencies to get assurances?—Yes.

3661. I understand you to say, you proposed to put in a list of some 30 states in which the concession to an assurance company is accompanied by conditions injurious, in your opinion; can you also put in to your evidence, at the same time, any statement as to whether the assurance companies which are in those 30 states, such as they may be, are in the habit of employing agencies, and if so, whether they allow commission?—Yes; that kind of information I can supply with great accuracy; several of the local companies belong to the states themselves.

3662. Are there any other conditions besides as to a paid-up capital, and the necessity of publishing accounts?—In some states, there is a supervision by certain parties connected with the state, and they make it also compulsory in several states, that in case of disputes, they should be referred to the arbitration of certain parties, so that the common law of the country does not prevail.

3663. You think that an element also?—Yes.

3664. Is there any other?—I think those are the principal ones.

3665. It seems to be your judgment that assurance has not gone on so extensively in Germany, or whatever countries these observations apply to, in consequence of the mode of granting concessions for forming companies?—I am strongly of that opinion.

3666. Can you state any instances, or any reasons why parties should not have assured with those companies when set up; because the reasons you have stated rather apply to the setting up of companies, than to parties effecting assurances with them when they are constituted?—I am inclined to believe there is no particular reason, farther than that they are not so much alive to the principles of assurance and the effects of it; that there must be competition to make the principles generally known, as it would be if there were many companies. But the deeds of some of the companies themselves which were formed, as I may say, in ignorance of the best modes of conducting business as mercantile enterprises, have clauses prohibiting assurances beyond a certain amount. For example, the Gotha Company, though so powerful a company, and capable of undertaking very large risks, cannot assure more than 1,600 *l.* on a single life. I believe I am correct in stating the amount; if it is wrong, I will correct it. At all events, I know that the Lubeck Company, which was established four or five years before the Gotha Company, cannot undertake a greater risk than that. The constitution of these companies, formed in what may be called ignorance, or want of experience, is such, that it is almost impossible to work them with the facility of English companies. To give one illustration from the Lubeck Company, and two other companies, which I happen to know are in very similar circumstances in that respect, I shall show what they have been compelled to do. They cannot, in the Lubeck Company, undertake to assure more on one life than 1,600 *l.* of our sterling money, and consequently landed proprietors and other people having large pecuniary transactions to be effected, to whom it is necessary to have assurances, cannot get risks of sufficient magnitude from these companies, and they are driven to English companies. The Lubeck Company, and two other companies, have effected an arrangement with an English company, of whose affairs I am fully cognizant; and they arrange in this way: that where proposals for larger amounts are made to the Lubeck Company, or to the other companies, they are referred to the English company, but retaining their own maximum;

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these companies are induced to do that, because they cannot easily deal with their own government in bringing about the alterations necessary in their constitution. They secure a connexion, however, in this indirect manner, and still gain some advantage, by not losing the business wholly.

3667. Then I understand the result of your opinion on the state of things in these 30 states is, that the nature of the conditions imposed upon the concessions are of that description, that they restrict the number of companies set up, and the companies being restricted in number there is not that wholesome competition which stimulates them by agents and correspondents to enlighten the public mind and induce them to adopt those modes of providing for their families?—Exactly.

3668. That would be the result in your opinion?—Yes; in fact it is more than opinion; it is an evident fact; it is well known.

3669. That might arise as well from the nature of the conditions as there being any?—Yes.

3670. It does not necessarily follow that if the conditions are prudent, and well-suited to their end, that that would be the result?—It does not necessarily follow, but I should be at a loss to find any conditions that could be imposed that could be at all beneficial.

3671. In this country, in the face of conditions which are not presumed to be particularly well framed, there has been an enormous increase of business, has there not?—An increase of business, but not so very enormous an increase of business as many people imagine.

3672. But there has been even a considerable increase of institutions?—There has been.

3673. Since those restrictions, such as they are, have been imposed, it is not possible to deduce that there has been any stoppage of the setting up of institutions?—No; but I think the effect of the Act has been the more easy creation of weak institutions, than there would have been without it. I think the institutions which are formed under this Act, do not on the average possess the same means of producing business which the companies formed prior to the passing of the Act did.

3674. Are we to understand that you think there has been a greater number of weak companies started, or a less number of strong ones?—Yes; as a consequence of the Act.

3675. That is your opinion?—There is no doubt of it. In fact some companies have been very severely censured for giving a complexion to their prospectus by an appearance of the Government sanction, which the people at large very easily recognise and adopt; viz.: "Incorporated under Act of Parliament," or some other high-sounding phrase.

3676. That is a mode of gaining strength for a weak company, by holding out an apparent security?—Yes.

3677. *Chairman.*] I believe you have some observations to make with reference to the effect which this interference has on friendly societies?—I think there cannot be two opinions on the influence which the Government interference with friendly societies has had on those societies. There have been a great many Committees sitting on the subject of them since 1824, and since that time, or since 1828 at all events, we have very extensive information as to the progress of friendly societies; there have been a great many Acts of Parliament, and some recent ones, imposing very stringent restrictions; every succeeding Act, in recent years, has been more strict than the preceding ones, and the effect has been to limit the formation of what are called well constituted societies. I find that a Parliamentary Paper has been published, containing some very remarkable information on that head. A very valuable Report on the constitution of these societies was published by the Committee of the House of Lords in 1847, and Lord Beaumont's Act passed immediately upon the issuing of that Report. Subsequently Mr. Sotheron introduced another Act, which many preferred as embracing a new system of registration, in addition to that included in Lord Beaumont's Act. First, societies might enrol as under the former Act, and be entitled to the same privileges as formerly; again, another kind of societies might place themselves under the Act with any kind of conditions at all, with any kind of tables, or promising any kind of benefits, with any amount whatever of subscriptions, and such societies would be considered registered societies. Those

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are the technical words used; but the Government for the time being, believing that it was desirable to have another class of societies, the registered societies were admitted as a sort of compromise upon an application made by the "Odd Fellows," and other unenrolled societies, at the period of the passing of the Act, and it was declared that certain privileges, of a very ordinary nature indeed, should be held out to such societies as should choose to become certified; certificating simply implying, as a distinction from the registered societies, that they adopted tables supposed to guarantee financial stability, having the certificate of an actuary of five years' standing. I think I quote that Paper correctly in stating, that during a period of 2½ years the total number of societies coming within the last mentioned clause only amounted to 20, and I happen to know that nine or ten of those societies, nearly a moiety of the 20, were societies having a prior existence, and really were established societies, but in order to obtain the advantage which they supposed was derivable from being certificated they chose to certify, as they had not certified before. Though some limited number of well-founded friendly societies is being formed, going on with this slow progress now, I take a large amount of blame for having advocated as best I could, the advantages of having the certificate of an actuary. I thought it quite essential, but it was in ignorance of the feelings of the men connected with those societies that I did so argue; now I have come to be clearly convinced that if those men had not been authorised by any Act of Parliament at all, but if they had trusted to the current literature of the day, showing the state and condition of their own societies, they would have taken a very good method of their own for putting their affairs right, and much better than anything that could possibly be administered in the shape of an Act of Parliament. There can be no doubt that the tendency of the recent Acts has been to deteriorate the class of friendly societies rather than to elevate them, which is a very remarkable illustration.

3678. Mr. *Henley.*] In what sense do you use the word deteriorate?—It has given birth to a greater number of "pot-house clubs" than formerly existed, and they are essentially weak from the paucity of numbers in each, were there no more serious evil connected with them. There are a considerable number of persons in some of these "pot-house clubs," and clubs in village ale-houses, but generally the average is 50 or 60 members.

3679. In point of fact, they did not become registered societies?—Such societies were formerly looked upon, by their own members and others, as irregular societies, having no legal status, because they did not enrol. But now, having got an easy mode of Government enrolment in the shape of registered societies, they are started freely, because they have simply a certificate in common with the other societies; that is, in common with a body of certificated and well-conducted societies. The people now generally look on these as common, and consequently now the projector of a friendly society, in connexion with a pot-house or otherwise, takes an easy process; he will not trouble himself to scrutinize how the actuary makes tables that will suit the views and feelings of those he means to enlist in his society; he goes and has it registered and certificated, and the certificate sounds as well and has all the semblance of security with a poor man which another form of certificate may well carry with it.

3680. The fact is, that until these societies were allowed to form what you designate very intelligibly as "pot-house clubs," there was no interference at all by the Government with them?—Yes; but the numbers now are increasing.

3681. That was so?—Yes.

3682. The consequence of that was, that these "pot-house clubs," so formed, were continually breaking, either by the frauds of members or insufficient funds, and the parties assured did not get what they had a reasonable right to expect?—Yes.

3683. It was to endeavour to remedy that state of things that the Legislature began to interfere?—Yes.

3684. I am not sure whether you gave evidence to that effect, but many gentlemen of your profession gave evidence before Mr. Sotheron's Committee, that then, in spite of the extent to which the Government interference then had been carried, and the securities which the Legislature had endeavoured to cast round these things, a considerable portion, if not a large majority of the existing friendly societies, were not in a solvent state?—That was so.

3685. That evidence was given to some extent?—There is no doubt about it.

3686. And

3686. And with the view of endeavouring to get them into a more solvent state, more stringent conditions were introduced?—Yes; and those conditions have had quite the opposite effect to what was intended.

3687. Do you mean to say they have made the certificated societies less solvent, or that compelling persons to come in within the line and conditions to make them solvent, they declined coming in at all?—The certificated societies are so small in number comparatively, a mere drop in the bucket, compared with the great bulk of the societies, that it may be said generally, that so far as the certificated societies are concerned, it has had no effect whatever, but it has given birth to a great number of registered societies which never can stand.

3688. That is to say, the men who enter into these societies, not choosing to come into the stringency of the conditions, or the amount of payment which science teaches is necessary to ensure the safety of the scheme they have entered into, notwithstanding join a society which they have found, from their own experience, insecure as to the amount of payment, and in which they have no legal rights or remedies, inasmuch as they are without the pale of the law?—That is so; and to show (though it is very remarkable) that that is really the case, I find that the registered societies number about 600, while the others are only 20 in the corresponding period.

3689. In that 600 do you take in all the "Odd Fellows'" societies?—Only those who have got a friendly society's certificate from Mr. Tidd Pratt. The registered societies are 600; the certificated societies 20, which does not include the "Odd Fellows." Very few of those societies have taken advantage of the Act as it was expected they would. A few "Odd Fellows" have certified as friendly societies, both prior to that Act and afterwards, but the bulk have not. Had they all certified, taking in the "Manchester Unity," the "London Unity," and the other unities generally of "Odd Fellows," you would have had about 12,000 societies, the Manchester Unity having 4,000, so that the number would have been prodigious had they all come under the provisions of the Act.

3690. You assume that the restrictions by the Government to ensure solvency in these societies are such that a number of people do not choose to come into them?—Certainly.

3691. And that societies less secure, and less under the protection of the law, and which science would teach persons are insecure, are preferred by the bulk of the people?—They are preferred simply, I think, because the parties in the bulk of cases go to such societies not seeking really what they nominally do purchase. These societies, as almost every one is aware, have grown up from convivial clubs at remote periods, and they are in a transition state; some of them are *bonâ fide* provident associations, doing an immense deal of good; but a large number are of a different kind, and men enter them for the social relations in which they are thereby placed, rather than from the provident provision which societies, professing the objects they do, may confer.

3692. Why do you come to the conclusion that if there were no Government interference at all, parties would enter into societies of the nature of friendly societies, which would be secure, and which would guarantee to men, paying a periodical payment, the advantages which they had a right to derive from them?—All these societies, assurance societies, and friendly societies, which are very kindred in their nature (there is no real difference unless in the magnitude of their transactions, and the various people they include in their books), are, properly speaking, subjects of mercantile enterprise as any branch of manufacture, or any branch of trade is, and they can only be successfully conducted as such. I include savings banks in the same category, and the greatest evil which ever befel this country, was the Government countenancing such things in any way, for the doing so has lent a security which really did not exist to those societies, and consequently, a false ground of confidence has been given to the members dealing with them, which never should have existed. The proper management of these societies depends on skill rather than on any other quality, and the whole history, and everything known in connexion with our Government, shows that Government cannot bestow skill on any enterprise. The Government, I think, rightly interferes with a certain branch of joint stock companies, in which enormous capital beyond the means of private traders is indispensable, such as railways, and a few other undertakings; but immediately the Government goes beyond that limit, it interferes with private industry and enterprise, and then the healthy effect of competition disappears.

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3693. But before the Government interferes, I think you will agree that friendly societies, speaking generally, were on an insecure footing, and were constantly breaking up and defeating the ends of parties who had paid money?—Yes, that was so; but I think it may be clearly shown, that it arose to a great extent from the circumstances of the case; from their origin and the phases through which these societies must of necessity pass generally before they arrive at the condition in which they can be said to be safely established.

3694. Let the cause be what it may, that was so as a fact?—Yes.

3695. Now then, come to another head: we have spoken of a recent alteration in the law three or four years ago, the class of societies complying with which you say are worse than before?—Yes.

3696. Are they worse than the original societies?—Yes; the societies formed since 1847 are worse than the societies formed prior to that time.

3697. When you say prior to 1847, that is prior to the time when there was any Government interference at all?—There has been Government interference, in a limited shape, since 1828, but not in the same specific form that there has been since 1847. An Act was passed in 1828, requiring a certificate; Mr. Tidd Pratt's office had its origin in that year.

3698. There was interference, in a qualified degree, long before Mr. Tidd Pratt?—More as to the legal status it gave to friendly societies. The certificate of registration commenced in 1828, the period when Mr. Tidd Pratt's office was established, and from that time the quinquennial certificates required by friendly societies have been furnished, or at least to a moderate extent, by the societies; and here I think I may justly interpolate a remark to show how ineffectual this Act has been in receiving returns. A very small proportion, indeed, of the friendly societies have since 1828 complied with the requisites of the Act in making returns.

3699. I want to know why, if the friendly societies were in an insecure state, as evidently was shown by the great body of actuaries who gave evidence before Mr. Sotheron's Committee, they have been made more insecure than before. As to societies of the earlier nature, if I understand you, the stringent regulations which have been imposed on them have not been adopted by many societies on account of their stringency, but a number of new societies have started up which, I suppose, you will not take upon yourself to say are secure in their provisions. Why do you infer from that state of things that the Government interference makes these societies insecure?—I will endeavour to give a more exact statement of it. There are two kinds of Government interference at the present time; one is in a very severe shape in reference to certificated societies, and very few of these have been formed; therefore I say, that, practically, the regulation with regard to certificated societies may be considered as of no effect in relation to the bulk of such societies. There is another kind of interference which simply permits parties to register themselves, and the fact of registration allows these societies to demonstrate, whether rightly or not, to the people with whom they deal, that they have the Government cognisance and support by being registered; and these societies contrive to put themselves into the same category as to stability, so far as the Government cognisance goes, with the societies formed on a better basis; viz. certificated societies. Therefore, it appears to me, that a false security, given by Government to these societies in the mere fact of permitting them to register, is of a very kindred nature with another security given to assurance societies recently established, by putting them under an Act of Parliament, which really does not control their affairs, or give them any kind of security whatever beyond societies that were not established under such an Act.

3700. But, without assenting to your opinion, you say it was unwise in the Government to secure to the registered societies the legal remedies they have one among another, that being the principal thing it appplies to, because it may be inferred from that that there is in some sense a certificate?—Yes; when there is no certificate.

3701. By having certified tables?—I would not conclude that at all; I would rather say that it is quite right to give the members of these registered societies, and every society whatever that may be formed for the *bonâ fide* purpose of making provident provisions, all proper legal remedies, and give them facilities in cheapness and despatch; that should be done with every society, but that should be done by a regular Act; by a law common to the country; that all societies

societies formed for that purpose should have easy legal redress, and that legal redress should not be given to them simply because they are registered under a particular Act of Parliament. With that Act of Parliament a permission should not be given to them to construe that Act of Parliament as a security for their financial condition.

3702. If you are to give parties privileges, according to a general law of the land, you must lay down certain conditions within which they are to bring themselves so as to know whether they are to be entitled to those privileges?—I would not give privileges; I would make the legal process, or whatever other name you may call it, which was available to those parties, available to every party.

3703. Mr. *Geach.*] Before the passing of this Act, by which they should register these societies, there were friendly societies existing, and in pot-houses there were certain clubs; since that the evils have not been cured, but on the contrary, they have a sort of Government sanction, or appearance of it, from being registered, which induces the poorer classes to rely on these societies and clubs more than they otherwise would do?—That is so.

3704. Mr. *D. Seymour.*] You think that Mr. Sotheron's Act has had the effect of increasing the number of "pot-house clubs" instead of diminishing them?—Decidedly.

3705. Do you think, on the whole, that Government interference with friendly societies has not been beneficial?—I think it has not been.

3706. *Chairman.*] I should like very much to know your opinion on the subject of an institution of actuaries; how far you think it would be practicable to have any test by which actuaries could be limited in their number, or any test of ability which might be generally known to mark a skilful actuary, such as at present exists in the law, and in the medical profession, viz., going through a certain examination, and having a diploma?—Perhaps that might be desirable; but it is a very delicate question to speak upon at this moment.

3707. I wish to know how far you think it would be practicable?—I should scarcely like to commit myself to that at the present moment; if a test could be accomplished it would be very desirable.

3708. Do you not think it very desirable, when so much intricate and fine scientific knowledge is requisite in the conduct of the business, and when so much depends on the qualifications of the actuary, and the advice he gives to his directors, as to the ultimate security of the undertaking; that there should be some security to the public that those who profess to be actuaries really do understand their business?—Nothing, I think, is more desirable in the monetary state of this country; the functions of an actuary are frequently of a most important nature, and are not now rightly understood; if it could be accomplished (but I see immense difficulties in the way of doing it), it would be very desirable; there is no doubt of it.

3709. Is it not very frequently the case that young men who have had no previous education to qualify them to become actuaries, start an assurance company by way of speculation, and all at once call themselves actuaries; and may not such persons start companies on very insufficient data, and involve the companies in very serious consequences?—There is no difficulty in the way of any person starting a company, if he has the connexion to do it, and he may call himself an actuary or anything else; any man may call himself an actuary; and I have no doubt that persons often do assume that name, attaching more importance to it than they do to that of secretary; but I do not think there are many instances in which such men have been enabled to bring about any serious consequence or disaster, because I think actuaries among themselves generally know the capabilities of such men, and have some power and control over them, though they may not be acquainted with them. There is a knowledge in the craft, as there is in other crafts; and such men, though they may assume the name of actuaries, have not the influence which the name legitimately would lend to them.

3710. Practically speaking, do you think there would be any objection to the formation of a society, by whatever name you may choose to call it, an institute of actuaries, or anything else, who should in reality have enrolled among its members men who, by some examination or some test, had proved themselves to be entirely qualified for the duties they have to perform?—It is very desirable, if it could be accomplished.

3711. Is it not the case that that particular kind of information, that particular quality of mind, has in all our public institutions, our offices, and public accounts, been

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been entirely or very much neglected; and would it not be extremely desirable if the public attention, by constituting such a profession, could be more immediately called to it in our great public schools, so that men, as a branch of liberal education, would acquire what may be termed the scientific education of the profession of an actuary?—I think so, quite. It may not be known to all the members of the Committee, but it is the fact, that the duties of some of our leading actuaries at the present moment are not by any means confined simply to the business of life assurance, but they ramify themselves into a great number of important matters of finance.

3712. The science of an actuary involves almost every possible and conceivable computation of contingencies, whether in the shape of risk or life annuities, or anything else; and, therefore, it does develope itself in very numerous ways, exceedingly interesting and important to society, and to affairs besides that of simple life assurance?—It does; in fact it is the whole range of probabilities.

3713. The whole range of future contingencies?—Yes.

3714. Every calculation on a future contingency?—Yes.

3715. Taken from the observation of averages?—Yes.

3716. In fact the whole duty of a man in a marine insurance office, who computes the premiums necessary to cover a sea risk, is simply another ramification of the duty of an actuary?—It is.

3717. If I understand the scope of your observations, the duties of actuaries are likely, in the common course of civilisation, and the extension of commerce and social institutions, to become extremely extended, and to ramify themselves into a hundred forms, which, perhaps, we cannot at the present moment contemplate or conceive. Suppose there were to be a profession of actuaries, much as other professions, involving some test on originally entering it, do you conceive that that would be for the actuaries themselves, and also for the institutions they manage, an immense security in future?—There cannot be a doubt of it; I am perfectly certain that would be so.

3718. Unfortunately there seems to be great difficulty in the first origination of such a profession, because there are existing persons who, whether they are all equally competent or not, have all a certain amount of competency in their profession, acquired either by experience or by study, and who, therefore, probably would object to any test: what would be your opinion, supposing an institution were established at a particular time, and composed of the existing actuaries, should you think it a fair arrangement to go upon that all existing actuaries should be admitted, and that any provision as to a test should have a prospective and not a retrospective effect?—It is very hard to legislate so as to have a retrospective effect upon anything, yet there would be a practical difficulty in including everyone. There is an example of that to which I need not more especially allude, an attempt of that kind has been made amongst themselves, and the difficulty of excluding any one who chose to call himself an actuary, when it was known and patent to every one that he was but so in name, and amongst his friends never pretended to be an actuary, the difficulty of excluding such men from the profession was felt.

3719. Then supposing such a body to be made into a profession, should you think it any hardship that the Government should insist upon an examination of all persons present and future?—If the Government took the matter up in a proper spirit, I have no doubt that by some management and a little patience, they could practically contrive to get over many of the difficulties, especially if the leading actuaries, the older men, who would have weight and influence, would assent to the views of the Government, and co-operate with it; I have no doubt much good might be accomplished in that way.

3720. Would it not be an extremely difficult thing to allow any discretion on the part of those who had to select or constitute the body, and would it not be better that the whole should pass through the same common measure, so that there should be no feeling of favouritism, or even any suspicion of it?—The better way, no doubt, would be to have a test by examination, or in some other way, and most of the competent young men would willingly resort to it; but I am afraid there are many of decided qualifications, whose qualifications are undoubted, having attained such a position and influence in the profession, and advanced to such a time of life, that they would not like to submit to such an ordeal; if that difficulty were got over, I think practically nothing very serious would be experienced by Government taking it up.

3721. Do you think really, that men of sense, men who saw a great public object in laying the foundation for a profession of such importance, however high their abilities might be, however unrivalled they might be, and whatever reputation they might have acquired, would object to go before a certain Board of men, and to answer certain questions, when they knew that it was not really for the purpose of ascertaining their qualifications but when they knew it was for the purpose of giving effect to a common rule?—I should wish that they would all comply; I should hope so; I think it would be advantageous.

3722. Do you think there would be any harm if they did not?—No, I do not think that they would, individually, lose anything at all.

3723. Suppose a man really had so small a sense of what was due to a great public emergency, that he would not submit to an examination of that kind, do you think it would be any great harm to the public?—Put in that way, I am inclined to say, no.

3724. Mr. *Geach.*] You have been very strong in your evidence against Government interference of all kinds; but I find that now, when you come to the question of the qualifications and certificating of actuaries, you are not so strong in your views?—I should not like Government interference there either; what the Chairman has mentioned I do not think amounts to Government interference; the medical profession, and the legal profession, have now a defined status as professional men; and I think that is necessary, in order that the actuaries, as a separate body, may be constituted into a profession; that the first step should be taken by the Government by incorporation, or otherwise, and only so far as the mere fact of incorporation would extend, to give them a legal status, would I look to the Government; that the Government itself should not interfere after so incorporating and founding a profession of actuaries.

3725. Still there is to be a corporation of actuaries the same as there is of surgeons and physicians, and there is to be some examination and some degree conferred, which should give a status, as you say, to the persons who practice the profession of an actuary?—Yes.

3726. To that extent you are willing that actuaries should be protected by Government interference?—I think that is a different interference.

3727. There is no interference now; any man has a right to call himself an actuary if he please, but you would put that restriction upon persons who call themselves actuaries?—Such an institution, I think, is extremely desirable; but it should be clearly kept in view, that it has nothing whatever to do with any trading speculation; Government should not interfere with trade or industry, that I clearly and undisguisedly admit; but I think there should be a test for a certain amount of implied qualification and discipline in a man who may choose to plume himself with the title of an actuary.

3728. Does it not occur to you that precisely the same thing would arise there as you have so forcibly stated arose from the interference with friendly societies; viz., that the friendly societies did register for the purpose of getting a certain amount of credit in consequence of being so registered. An actuary, because he may have gone through an examination, is palmed off on the public as an actuary of skill, and he gets a certain amount of credit because he is so called an actuary, and because there is some Board or some authority before which he comes, therefore the public would not take one actuary, perhaps, in preference to another, or they might prefer a man with a very small amount of ability and a small amount of science, to a man who has a large amount of ability and a large amount of science?—No kind of incorporation could produce that effect. In the legal profession it has not been felt in the same degree, but in the case of physicians and surgeons it has been, and the same influence which prevails both in surgery and physic would, I apprehend, prevail in the case of an actuary. All men passing through the ordeal would be even then more competent to discharge the duties they take upon themselves; the men of the greatest industry, judgment, and tact, would, of course, take the lead in this profession, as in other professions, and they would be on a common ground with other professional men.

3729. *Chairman.*] Do you think there would be a sufficient number to produce competition enough, or to give a sufficient choice to secure the public against any incompetent person?—I have no doubt the supply would be quite equal to the demand for a long time to come, for the incorporation would give a status as well as a pecuniary recompense to those who enter the profession, so that there would always

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always be an inducement to a sufficient number to enter it, and to keep up a supply of competent actuaries.

3730. Suppose you had a body of this kind, should you think it necessary to exclude any person at any period of life, or at any time when they might qualify themselves?—Not if he was competent.

3731. You would not propose, in the suggestions to which you have acceded, to confine him to the original diploma, or to an examination at any particular period of life, but you would suffer a man to go to be examined, and to be entered as a member of the society of actuaries, at any period?—Certainly; I would not fix any limit or any restriction whatever.

3732. So that a man should go at any time, and obtain a degree, upon undergoing such an examination as might be necessary?—Yes; it seems to me to be not coming within the objections usually applied to a restrictive measure.

3733. Have you ever considered whether it would be possible or convenient for all assurance offices to make up their periodical balance sheets at one time, and in a uniform form?—It would be very inconvenient, and I think impossible, to make them alike.

3734. Would it be an inconvenience at first starting, or would it be so at all times?—At all times; it is a very important duty to make up such a balance sheet as I apprehend the question refers to.

3735. Requiring a periodical valuation?—Yes, it is a work of considerable labour; sometimes it will occupy five or six months; in some instances more than that. Mr. ———— and some of the other actuaries connected with large institutions, have generally required that time. Considering, then, that necessarily there must be a number of competent men to discharge that duty, there would not be a sufficient number of such men to do it well; so that if the practice were enforced it might become a mere mechanical process. That would be its danger. I do not see any advantage that would arise from it.

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Appendix, No. 1.

LETTER from *John Reddish*, Esq., to *J. Wilson*, Esq., M. P., Chairman. Appendix, No. 1.

Sir, 7, Grove Villas, Highbury Grove, 28 March 1853.

CAREFUL consideration has satisfied me that the best course will be to procure a repeal of so much of the Act 7 & 8 Vict. c. 110, as refers to Life Assurance Companies, and the passing of another somewhat similar to that for the regulation of Joint Stock Banks, 7 & 8 Vict. c. 113.

If you will refer to those two Acts, you will find that before any proceeding to make public the intention to form an Assurance Company, the promoters are required to obtain a certificate of provisional registration, and to pay a fee of 5*l.* (sections 4 and 21), but that the promoters of a Joint Stock Bank are neither required to obtain a certificate or pay a fee. You will find that the promoters of an Assurance Company are not allowed on the allotment of shares to receive a deposit of more than ten shillings per cent. (section 23), but that the promoters of a Joint Stock Bank are required to receive a deposit of not less than 10*l.* per cent. (section 4). You will find that the capital of an Assurance Company may be anything or nothing, as the promoters may prefer, but that the capital of a Joint Stock Bank must be at least 100,000*l.* (section 2). You will find that the capital, if any, of an Assurance Company, may be in shares as small as the promoters please, but that those of a Joint Stock Bank must be of 100*l.* at the least (section 2). You will find that an Assurance Company may commence business without any paid-up capital, but that a Joint Stock Banking Company must have paid up at least 50,000*l.* (section 5). You will find that the Assurance Companies in existence, when the Act 7 & 8 Vict. c. 110, came into operation, were permitted to avoid its provisions if they pleased (section 59), but that Joint Stock Banking Companies established before the passing of the Act 7 & 8 Vict. c. 113, were compelled to fall under its operation within one year, or to wind up their affairs (section 44). You will find that the promoters of an Assurance Company are entitled to a certificate, enabling them to commence business, whatever may be the opinion of their ability and intentions (section 7), but that the promoters of a Joint Stock Banking Company are entirely dependent on the advice Her Majesty may receive from her Privy Council (section 3). Why this difference? Surely the public require as much protection from fraudulent or unsound assurance schemes, as from fraudulent or indiscreet banking companies, since the contracts with the former are generally for life, while those with the latter can be terminated in a very short time.

If, instead of a new Act, it should be thought right to recommend an amendment of the existing Act, I should advise that the fee on provisional registration should be raised to 100*l.* at the least, and that the fees on complete registration should be proportionately reduced. The fee at present payable for provisional registration is so small as to offer encouragement to persons of very limited means to open offices for their own advantage merely. My opinion, however, is, that the giving of any appearance whatever of legislative sanction to schemes at so early a period is mischievous. What greater necessity can there be for provisional registration of Assurance Companies than for such registration of Banking Companies?

The deed of settlement should, I think, be approved before the shares are advertised, and should be open for inspection of all persons interested, that they may have the opportunity of knowing what their liability is to be. I think, too, that objectionable clauses would be less frequent, and much inconvenience would be prevented, if a printed form, as concise as possible, were prepared, and all deviations were required to be distinctly marked after the deed of settlement has been approved; and not till then should the shares be offered, and such an amount should be received on them as will prevent their being abandoned should no premium be obtainable thereon. I know that by the 26th section of the Act 7 & 8 Vict. c. 110, there is a restriction on the sale of shares of companies before complete registration, but I also know that the smallness of the penalty and the difficulty of detection render the restriction useless.

In the preparation of the Act for the regulation of Joint Stock Banks some attention appears to have been given to the evidence contained in the Report on Joint Stock Companies, ordered by the House of Commons to be printed in 1844, but very little notice seems to have been taken of it in the preparation of the Act under which Assurance Companies are formed. By that Report, Question 316, you will see that Mr. Peter Laurie expressed an

Appendix, No. 1.

opinion that a paid-up capital of 50,000 *l.* should be required from an Assurance office, and that Mr. Samuel Jones Loyd (now Lord Overstone) recommended that some restraint should be put on the smallness of shares. Though many Life Assurance Companies have done very well with much less than 50,000 *l.*, I think it will be admitted that we have now arrived at a state which demands that sum, at the least, as evidence of ability and good faith. It must be observed, that the money would not lie unproductive, but might be invested as beneficially as by the respective owners, if not more so. Supposing it to yield three and a half per cent., an addition of 750 *l.* from the profits of business would give a dividend of 5 per cent.; and if the promoters of a company cannot see a fair prospect of profit much beyond that, they have no right to attempt the establishment of an additional office.

It is, perhaps, desirable to adopt the rules laid down by the Joint Stock Bank Act, so far as they will apply, without any alteration; but I can see no objection to a greater nominal capital, and a proportionately less paid capital; I would, however, strongly recommend that the shares of every Assurance Company should be 100 *l.*, and that no person should hold a less number than have had 50 *l.* paid on them. A man who cannot conveniently spare that sum, is not a suitable person to guarantee the obligations of a Joint Stock Assurance Company.

By the 7th section of the present Act, it is required that three or more directors, and at least one auditor, shall be named in the deed of settlement. I think that the whole number to be entrusted with the management during the first year should be so named, and that each should be required to hold shares, whereon at least 500 *l.* has been paid. No person ought, I think, to be a director who has not 500 *l.* to spare, and sufficient confidence in the undertaking to induce him to risk that sum in its success.

By the 28th section it is enacted that no one shall be a patron, president, or officer of like description, unless he hold at least one share. I would recommend that no person whatever, the bankers, solicitors, and paid servants of the company excepted, should be allowed to be advertised, unless he held as many shares as would qualify him as a director. Some of the offices advertise their trustees; but we know that the trustees are not required to hold a single share, and frequently have not a shilling invested in their names; and we also know that members of respectable banking firms offer their services as trustees merely to obtain the company's account, and that, not being under any liability, they do not object to being used as decoys.

The maximum penalties recoverable under the Act are much too small. My impression is, that none should be less than 100 *l.*, nor capable of reduction by a magistrate. I also think it should be the duty of some one employed in the Registration Office to see that the penalties are enforced: they are the only persons who have free access to the returns, and who have the means of seeing when the requirements of the law are evaded.

I have a decided objection to the advertisement of a nominal capital merely: it is a complete deception. The promoters of a company usually fix upon a large amount without the slightest prospect of obtaining subscribers for it, yet ever after publish it as though all had been taken. The only capital I would allow to be advertised is that actually subscribed for, and paid upon; and when that is advertised, I would require that the amount actually paid up should also be stated. At page 286 of the Parliamentary Report of 1844, you will read the opinion of Mr. John Gladstone, as follows, viz.: "I have a decided objection to nominal capitals. I think it a delusion, and almost amounts to a deception practised on the public." Joseph Parkes, Esq., in answer to Question 2409, refers to the subject as follows, viz.: "I think that a great seduction to the public might be removed by prohibiting the inconsistency between the nominal and the paid-up capital."

I have an equally strong objection to any payment of interest or dividend while any part of the paid-up capital is deficient, or which is not produced by interest on that capital, and the clear profits of business. I hope that any new Act will render the directors personally responsible for payment under other circumstances. It used to be the custom to form Assurance Companies with the understanding that no dividend should be paid during the first five or seven years. Such was the case with respect to the Imperial and Guardian Offices; but now we find the promoters of new companies advertising that the shareholders will at once, and before any profit is possible, have a guaranteed interest of five per cent., and other advantages which experienced persons know to be absurd, but which the public fully believe in. If you will refer to Question 1250 of the Parliamentary Report of 1844, you will find that C. D. (Mr. Vigers) spoke on the subject as follows, viz.: "No dividends should be allowed, except out of clear profits, under a heavy penalty. Directors ought to be severely punished who lend themselves to such a proceeding."

I wish also to call your attention to the practice of allotting shares to infants and persons residing beyond the reach of our courts of law. Some restriction should be put on this; and it should also be considered whether when other business is united with that of life assurance, the same fund should be the guarantee of the whole.

I think something should be done to discover the amount assured on lives. At present a very large sum is spoken of; but it is a mere guess. The law requires a return of all assurances effected or renewed on farming stock, though no duty is payable thereon. Surely a knowledge of the amount assured on lives is not less important. I am inclined to think that the best course would be that of substituting for the present policy stamp an annual duty of sixpence per cent., which I am satisfied would yield more to the revenue than the present stamp duty does; it would be more just, too, to parties who require assurances on lives for short terms, as at present an assurance for one year or less is liable to the same stamp as one which may be expected to remain in force for the whole of life. The stamp duty as now assessed is perfectly absurd, and often leads to the assurance of

one

one penny less than the amount intended, because the assurance of that penny would add 1*l.* to the charge for the stamp. The duty averages as nearly as possible 2*s.* 6*d.* per cent.; therefore, if a single payment should be preferred to that which I have suggested, I should be glad to see each company required to make a return of new assurances only, and account for the duty at that rate, in the same manner as Fire Assurance offices do. Even by this we should have a better knowledge of the total of the sums assured than we now have.

You will perceive that I have not yet referred to any other than Life Assurance Companies as requiring to have a check put upon them; but I think that Fire Insurance Companies should not be left unnoticed; for though parties may generally transfer to other offices at the end of a year, there is risk during the year, and serious evil when there is a claim, and no funds to meet it, quite as much as in taking the notes and bills of an insolvent bank.

Assurance Companies should not, I think, be allowed to borrow money; if any be wanted, it should be obtained by a call on the shareholders. The obtaining of large amounts for the grant of annuities is another source of danger, which requires watching.

Before the passing of the Act 7 & 8 Vict. c. 110, the managers of the then existing offices were disinclined to make any returns of their transactions; not because they had anything to fear from an examination of them, but because they thought that it might be made a step towards a mischievous interference. Recent inquiry leads me to believe that they would now readily consent to make returns similar to those referred to by Mr. Morgan (pages 57 and 58 of the Report of 1844), to be used for the satisfaction of the Government only, or for the use only of those who think proper to pay a fee for inspecting them. The publication of the accounts filed under the Act may have been useful in exposing to some of us the abuses of the privileges given by it. The natural inference when the Act was passed was, that they were intended to enable Government to keep a check on those whose proceedings threatened to subject the assured to loss, and not for publication.

The Act 7 & 8 Vict. c. 110, has done much mischief, by giving an appearance of Parliamentary sanction to schemes of the wildest nature. Before it came into force, an Assurance Company stood little chance without a special Act; and no such Act could be obtained without a tolerably searching investigation by Committees of both Houses of Parliament.

I only recollect one more subject on which I need trouble you, viz. the bearing of these suggestions on mutual offices. I have not one word to say against some of the old established mutual offices, but, in my opinion, the mutual principle has been too much lauded; and now that establishing Life Insurance Companies has become a trade, there is more to fear from the recently formed mutual offices than from those having a proprietary, since the claims under the policies of the former extend no further than to the money there may happen to be in the cash-box, while those in the latter extend also to the pockets of the shareholders. Years ago, when the law of mortality was little known, the mutual principle was the only one on which people dared venture. As knowledge began to spread, persons were found bold enough to risk their money as proprietors, and no doubt they did so successfully, there being little competition, high rates, and many other circumstances in their favour which do not exist now. For some time there were only two classes of offices; one divided all the surplus amongst the assured, the other divided the whole amongst the shareholders; but now the distinction is very trifling, four-fifths of the surplus of the proprietary offices being generally divided amongst the assured, and only one-fifth amongst the shareholders. I have a strong impression that the additional security afforded by a respectable proprietary is generally well worth the sacrifice of so small a proportion as one-fifth. The recent formation of a number of mutual offices may be regarded by the public as evidence of the superiority of the mutual principle; but those who know some of the promoters, strongly suspect that the mutual plan was selected only because it was easier to get directors who had nothing to pay than it would have been to procure men of substance. To prevent an increase of such offices, I should recommend that, in the first instance, the same qualification should be required as for a proprietary office, and that the guarantee fund should remain intact till two actuaries, approved by the Board of Trade, or other authority, have presented a report, satisfactorily showing that the number and amount of assurances in force, the annual premiums payable thereon, and the premium fund in hand, are sufficient to render the guarantee capital unnecessary. The Economic Office began with a capital of 25,000*l.*, with the condition, that when the proprietors could be safely released, the assured should have the power of releasing them. What can be more absurd than to issue a policy for some thousands of pounds, when the premiums in hand are insufficient to pay the debts of the office?

If an Act similar to that for Joint Stock Banks should be thought necessary, special provision should be made in reference to the Mutual Offices already established. Any of them able to show that the number and amount of existing policies, the premiums receivable, and the cash in hand, are sufficient to render them safe, should be allowed to register under the new Act. Those who cannot show themselves to be safe, should be disposed of by being united to other establishments, or by other equitable arrangements.

I am, &c.
(signed) *John Reddish.*

Appendix, No. 2. - - - -

Appendix, No. 2.

FORM of ANNUAL ACCOUNT proposed to be prescribed for Adoption by LIFE

PART 1.—ACCOUNT of RECEIPTS and EXPENDITURE of the

RECEIPTS.	£. s. d.	£. s. d.
To balance in hand from last account - - - - - - - - -		
To Amount of Receipts, being addition to the direct liabilities of the Company, viz.:		
To amount received from shareholders on account of capital		
„ „ borrowed on security of the Company's assets -		
To Amount of Receipts, being conversion of assets of the Company into money, viz.:		
To amount of loans repaid - - - - - -		
„ „ investments called in - - - - -		
„ „ property sold - - - - - -		
To Amount of Receipts, being returns upon the Company's business, viz.:		
1. Receipts not involving any future or contingent liability:		
To amount of interest on calls in arrear - - -		
„ „ interest and dividends on investments -		
2. Occasional Receipts, involving future annual liabilities:		
To amount received for purchase of annuities - -		
3. Annual Receipts, involving future occasional liabilities:		
To amount of premiums on policies formerly granted -		
„ „ premiums on policies granted during the year - - - - - - - - -		
Less re-assurances - - - - -		
To Amount of Receipts not falling under any of the foregoing heads, viz.:		
To amount - - - - - - - - - -		
„ „ - - - - - - - - - -		
„ „ - - - - - - - - - -		
	£.	

Appendix, No. 2.

INSURANCE COMPANIES, and to be Registered under the Joint-Stock Companies Act. Appendix, No. 2.

Insurance Company, from 185 , to 185 inclusive.

EXPENDITURE.

	£. s. d.	£. s. d.
By Amount of Payments by way of Investment, viz.:		
By Amount advanced on policies - - - - -		
„ „ lent on mortgage - - - - -		
„ „ invested on ditto - - - - -		
„ „ „ „ - - - - -		
„ „ „ „ - - - - -		
By Amount of Payments, in extinction of Liabilities of the Company, viz.:		
By Amount of arrears of interest and dividends paid -		
„ „ loans repaid - - - - - -		
By Amount of Payments in connexion with the Business of the Company, viz.:		
1. Payments constituting a Charge on the Business:		
By Amount of shareholders' dividends - - -		
„ „ interest on borrowed money - - -		
„ „ income tax - - - - - -		
Expenses of Management, viz.:		
Commission - - - - - - -		
Medical fees - - - - - - -		
Salaries, &c. - - - - - - -		
Sundries - - - - - - - -		
2. Payments in discharge of Liabilities involved in annual receipts of former years, viz.:		
Claims on policies expired - - - - -		
Bonuses thereon - - - - - -		
Policies surrendered - - - - - -		
3. Payments in discharge of the proportion becoming due during the year, of annual Liabilities arising from former receipts, viz.:		
Old annuities - - - - - - -		
New annuities - - - - - - -		
By Amount of Payments not falling under any of the foregoing heads, viz.:		
„ „ „ - - - - -		
„ „ „ - - - - -		
„ „ „ - - - - -		
By balance in hand - - - - - - - - - - - -		
	£.	

Appendix, No. 2.

PART 2.—STATEMENT of LIABILITIES and ASSETS of - - -

	£. s. d.
LIABILITIES:	
Paid-up capital - - - - - - - - - - - - -	
Money borrowed - - - - - - - - - - - - -	
Interest and dividends due and unpaid - - - - - - - - -	
Bills and accounts payable - - - - - - - - - - -	
Sundries - - - - - - - - - - - - - -	
Balance of Assets presently available for discharge of the liabilities undertaken by the Company - - - - - - - -	
£.	

Value, as ascertained at the last valuation made down to the , of £. the amount of sums insured by policies then outstanding - -

Value of £. , the annual amount of the annuities then payable, or to become payable - - - - - - - - - - - - - -

These amounts are now subject to the following Deductions and Additions, viz.:—

Deductions:	£. s. d.
So much of the above sum of £. , as was the value of the sums (amounting to £.) insured by policies, which have fallen in since the valuation - - - - -	- - not yet valued.
So much of the sum of £. , as was the value of £. , the amount of the annuities which have ceased to be payable since the valuation - - - - - - - -	- - not yet valued.
Decrease in value of the remaining annuities included in the valuation, and still payable from the date of the valuation to this date - - - - - - - - - -	- - not yet valued.

Additions:	£. s. d.	
Increase in value accruing from the date of the valuation to this date, to so much of the above sum of £. , as still remains payable -		- - not yet valued.
Value of the sums insured by policies issued since the valuation, and classified as follows; viz.:—		
On lives from 0 to 10 - -		- - not yet valued.
„ 10 to 20 - -		
„ 20 to 30 - -		
„ 30 to 40 - -		
„ 40 to 50 - -		
„ 50 to 60 - -		
„ 60 and upwards		
£.		
Value of Annuities amounting to £. per annum, granted since the valuation - -		- - not yet valued.

Balance of Assets over Liabilities at the date of this account, subject to modification by the yet unvalued additions and deductions above-mentioned - - -

£.

Joint Stock Companies Registry Office,
April 1853.

Appendix, No. 2.

\- - - the INSURANCE COMPANY, at the day of .

ASSETS:	£ s. d.
Value of investments on the securities under-mentioned, viz:—	
Of £. invested on - - - - - - - - -	
Of £. „ - - - - - - - - -	
Of £. „ - - - - - - - - -	
Value of houses and other property of the Company - - - - -	
Cash advanced on security of the Company's policies - - - -	
Accounts due and bills receivable - - - - - - - - - -	
Cash on hand - - - - - - - - - - - - -	
Stamps on hand - - - - - - - - - - - -	
Balances due by agents - - - - - - - - - - - -	
Sundries - - - - - - - - - - - - - -	
Balance of Assets, as above stated - - - - - - - - -	
Value, as ascertained at the last valuation made down to of £. per annum, then receivable as premiums for insurances effected -	

This value is now subject to the following Deductions and Additions, viz.:

Deductions:	£. s. d.
So much of the above sum of £. , as was the value of the premiums (amounting to £.) on the policies which have fallen in since the valuation - - - - -	- - not yet valued.
Decrease in value of the remainder of the said sum of £. from the date of the valuation to this date - - -	- - not yet valued.

Additions:

Value of the premiums which have become receivable since the valuation, and classified as follows; viz.:—	£. s. d.	£. s. d.
Premiums on insurance effected on lives aged—		
between 0 and 10 years -		
„ 10 and 20 „ -		
„ 20 and 30 „ -		
„ 30 and 40 „ -		- - not yet valued.
„ 40 and 50 „ -		
„ 50 and 60 „ -		
„ 60 and upwards -		
£.		
		£.

George Taylor.

Appendix, No. 3.

Appendix, No. 3.

PAPER delivered in by *W. T. Thompson*, Esq., 5 May 1853.

LAWS of New York, Seventy-second Session, Chap. 308.—Passed 10 April 1849.

Extract from the Seventh Section of "An Act to provide for the Incorporation of Insurance Companies."

Nor shall it be lawful for any agent or agents hereafter to be appointed of any company incorporated by any foreign government, other than the States of this Union, for the purpose of insurance, to transact the business of insurance in this state without procuring a certificate of authority from the Comptroller, such agent or agents having previously furnished evidence to the satisfaction of the Comptroller of the State that such company has invested in the stocks of this state, or the United States, an amount equal to the amount of capital or security required by this Act; and such stocks are held in trust by citizens of this state for the benefit and security of such as may effect insurance with him or them; and the agent or agents furnishing satisfactory evidence as aforesaid, shall be entitled to a certificate thereof from the Comptroller as aforesaid; the statements and evidences of investments required by this section shall be renewed from year to year, in the month of January in each year; and the Comptroller, on being satisfied that the capital securities and investments remain secure as at first, shall furnish a renewal of certificates as aforesaid, and the agent or agents obtaining such certificates shall fill the same, together with a copy of the statements on which it was obtained or renewed in the office of the clerk of the county in which such agency shall be established, and shall cause the same to be published in at least one newspaper published in such county; any violation of the provisions of this section shall subject the party violating to a penalty of 500 dollars for each violation, which shall be sued for and recovered in the name of the people by the district attorney of the county in which the agent or company so violating shall be situated; and the said penalty, when recovered, shall be paid into the treasury of said county; provided that all companies incorporated by any government other than the States of this Union, which may have appointed such agent or agents before the 1st day of March 1848, may hereafter appoint a new agent or agents in the case of the death, resignation, or removal of an agent or agents previously appointed: the term agent or agents used in this section shall include an acknowledged agent or surveyor, or any other person or persons who shall in any manner aid in transacting the insurance business of an insurance company not incorporated by the laws of this state.

LAWS of New York, Seventy-fourth Session, Chap. 95.—Passed 8 April 1851.

"An Act in relation to all Companies transacting the Business of Life Insurance within this State."

§ 1. Every company or association transacting the business of life insurance within the State of New York, shall, on or before the first day of August, in the year 1851, deposit with the Comptroller of this state the sum of 50,000 dollars, and on or before the 1st of February thereafter, the further sum of 50,000 dollars, in public stocks of the United States, or of this state, or stocks or bonds of either of the incorporated cities of this state; and which stocks or bonds shall be at or above par at the time of such deposit, or in bonds and mortgages, on unincumbered improved real estate, situate within this state, and worth at least 50 per cent. more than the amount of the mortgage thereon; and the president or agent of every company shall annex to every mortgage his affidavit that said mortgage was made and taken in good faith for money loaned by the company which he represents, to the amount therein named; and that no part thereof has been since paid or returned, and that he has reason to believe, and does believe, that the premises thereby mortgaged are worth at least 50 per cent. more than the amount of the mortgage thereon; and the Comptroller shall prescribe such regulations for ascertaining the title and value of such real estate as he may deem necessary; provided, however, that companies or associations established, or which may commence operation in this state by agents or otherwise, subsequent to the passage of this Act, shall, before obtaining the certificate required by the Act to provide for the incorporation of insurance companies, passed 10th April 1849, deposit with the Comptroller the sum of 100,000 dollars in securities, as hereinbefore specified.

§ 2. The Comptroller shall hold said stocks, bonds, and mortgages as security for policy holders in said companies; but shall, so long as any company so depositing shall continue solvent, and shall comply with all the requisites of the laws of this state applicable to such company, permit such company to collect the interest or dividends on its bonds and mortgages or stocks, so deposited; and from time to time to withdraw any of such securities, on depositing with the Comptroller other like securities, stocks, or mortgages, the par value of which shall be equal to the par value of such as may be withdrawn; each mortgage so substituted

substituted to be also accompanied with an affidavit as required in the first section; and the Comptroller shall subscribe such regulations for ascertaining the title and value of the real estate covered by the mortgage so substituted, as he may deem necessary.

§ 3. It shall not be lawful for any person to act within this state, as agent or otherwise, in receiving or procuring application for insurance in, or in any manner to aid in transacting the insurance business of any company or association not incorporated under the laws of this state, until he has procured a certificate from the Comptroller that the company or association for which he acts has complied with all the provisions of this Act; and for every certificate so obtained the sum of three dollars shall be paid to the Comptroller.

§ 4. Every company or corporation organised under the laws of sister states or foreign governments, and transacting the business of life insurance in this state, shall, within three months after the passage of this Act, and on or before the 1st day of February in each year thereafter, furnish to the Comptroller, and also publish in the state paper, daily for two weeks, a statement, verified by the oath of their president or principal officer and a majority of their directors or trustees, showing the amount of paid-up capital and accumulations of which they are possessed, and specifying the securities in which they are invested, with the amount of each; the number of policies and the amount of outstanding risks thereon; the several amounts received in premiums and from other sources for the current year; the amount of claims remaining unpaid; the amount of fund reserved for re-insurance; the amount of premium notes held by the company on account of policies in force; the amount of premium notes, if any, held on account of policies upon which the risk has terminated; the whole number of policies issued or continued through their agencies in this state, the amount at risk thereon, and the gross amount of premiums received therefor in the year preceding their report; the number and amount of losses paid through their agencies during the same period.

§ 5. It shall be lawful for the Comptroller, whenever he shall deem it expedient so to do, to appoint one or more competent persons, not officers of any life insurance company doing business in this state, to examine into the affairs of any life insurance company incorporated in this state, or doing business by its agents in this state; and it shall be the duty of the officers or agents of any company doing business in this state, to cause their books to be opened for the inspection of the person or persons so appointed, and otherwise to facilitate such examination, so far as it may be in their power to do; and for that purpose, the Comptroller, or the person or persons so appointed by him, shall have power to examine, under oath, the officers and agents of any company relative to the business of said company; and whenever the Comptroller shall deem it for the interest of the public so to do, he shall publish the result of such investigation in one or more papers in this state.

§ 6. Whenever it shall appear to the Comptroller, from examination made under his direction, that the assets are not sufficient to insure the outstanding risks of any company incorporated in this state, he shall communicate the fact to the Attorney-general, whose duty it shall then become to apply to the Supreme Court for an order requiring them to show cause why the business of such company should not be closed; and the Court shall thereupon proceed to hear the allegations and proofs of the respective parties; and in case it shall appear to the satisfaction of said Court that the assets and funds of the said company are not sufficient as aforesaid, the said Court shall decree a dissolution of said company, and a distribution of its effects, including the securities deposited in the hands of the Comptroller: the Supreme Court shall have power to refer the application of the Attorney-general to a referee to inquire and report upon the facts stated therein.

§ 7. Whenever it shall appear to the Comptroller from the report of the person or persons appointed by him, that the affairs of any foreign company as aforesaid are in an unsound condition, he shall revoke all such certificates in behalf of such company, and shall cause a notification thereof to be published in the state paper for four weeks, and the agent of such company is, after such notice, required to discontinue the issuing of any new policy.

§ 8. When any company transacting the business of life insurance within the State of New York shall desire to relinquish its business, the Comptroller shall, on the application of such company or association, under the oath of the president or principal officer and secretary, give notice of such intention in the state paper at least twice a week for six months; and after such publication he shall deliver up to such company or association the securities held by him belonging to them, on being satisfied by the exhibition of the books and papers of such company or association, and the examination aforesaid, and upon the oath of the president or principal officer and secretary of the same, that all debts and liabilities of every kind are paid and extinguished that are due or may become due upon any contract or agreement made with any citizen of this state.

§ 9. Every violation of this Act shall subject the party violating to a penalty of 500 dollars violation, which shall be sued for and recovered in the name of the people, by the district attorney of the county in which the company or the agent or agents so violating shall be situated, and one-half of the said penalty, when recovered, shall be paid into the treasury of said county, and the other half to the informer of such violation; and in case of the non-payment of such penalty, the party so offending shall be liable to imprisonment for a period not exceeding six months, in the discretion of any court having cognizance thereof.

§. 10. So much of the Act passed April 10th, 1849, in relation to the incorporation of insurance companies as is inconsistent with the provisions of this Act, is hereby repealed.

Appendix, No. 4.

FROM *Francis Whitmarsh*, Esq., Registrar J. S. C., to *J. Wilson*, Esq., Chairman.

Joint Stock Companies' Registry Office,
Serjeants' Inn, 18 May 1853.

Sir,

I BEG leave to transmit to you a Return of all the Insurance Companies provisionally registered and completely registered, under the Act 7 & 8 Vict. c. 110, down to the 30th of April last, with the other particulars regarding such companies called for, so far as set forth in the Returns registered under the said Act.

With regard to the Return called for of Companies formed for the business of Banking, I beg leave through you respectfully to inform the Committee, that Companies for the business of Banking are expressly excepted from the operation of the Act 7 & 8 Vict. c. 110, and that I have therefore no information from which to make any Return.

I am, &c.
(signed) *Frs. Whitmarsh*, Reg. J. S. C.

TABULAR STATEMENT of the INSURANCE COMPANIES Provisionally Registered under the Act 7 & 8 Vict. c. 110, in each Year, from the passing of the Act to the 30th April 1853, showing the Number of these which have been Completely Registered; and also the Number of Completely Registered Companies which are still existing, the Number which are Dissolved or Abandoned, and the Number which have failed to make Returns during the present Year.

Date of Provisional Registration.	DESCRIPTION of INSURANCE.	Number Provisionally Registered.	COMPLETELY REGISTERED.				Number remaining not Completely Registered.	Number of Completely Registered Companies.		
								Still Existing.	Dissolved or Abandoned.	Failed to make any Returns for 1853.
1844.			In 1845.	In 1846.	In 1847.	TOTAL.				
	Life	2	-	-	-	-	2	—	—	—
	Fire	1	-	-	-	-	1	—	—	—
	Fire and Life	1	-	-	-	1	-	-	1	—
1845.			In 1845.	In 1846.	In 1847.					
	Life	22	2	7	-	9	13	7	1	1
	Fire	5	2	-	-	2	3	2	—	—
	Fire and Life	12	2	1	-	3	9	2	1	—
	Marine	5	1	3	-	4	1	1	2	1
	Miscellaneous	6	1	1	-	2	4	2	—	—
1846.			In 1846.	In 1847.	In 1848.					
	Life	14	4	5	-	9	5	6	2	1
	Fire	3	-	2	-	2	1	2	—	—
	Fire and Life	4	-	1	-	1	3	1	—	—
	Marine	6	1	2	-	3	3	1	1	1
	Miscellaneous	4	-	1	-	1	3	-	1	—
1847.			In 1847.	In 1848.	In 1849.					
	Life	16	3	5	-	8	8	6	2	—
	Fire	—	—	—	—	—	—	—	—	—
	Fire and Life	4	2	-	-	2	2	2	—	—
	Marine	4	4	-	-	4	-	2	1	1
	Miscellaneous	1	-	1	-	1	-	1	—	—
1848.			In 1848.	In 1849.	In 1850.					
	Life	17	6	3	-	9	8	7	1	1
	Fire	2	2	-	-	2	-	2	—	—
	Fire and Life	—	—	—	—	—	—	—	—	—
	Marine	1	1	-	-	1	-	1	—	—
	Miscellaneous	3	-	2	1	3	-	2	1	—

Date of Provisional Registration.	DESCRIPTION of INSURANCE.	Number Provisionally Registered.	COMPLETELY REGISTERED.				Number remaining not Completely Registered.	Number of Completely Registered Companies.		
								Still Existing.	Dissolved or Abandoned.	Failed to make any Returns for 1853.
1849.			In 1849.	In 1850.	In 1851.	Total.				
	Life	15	3	4	1	8	7	7	-	1
	Fire	3	-	2	-	2	1	1	-	1
	Fire and Life	9	3	2	1	6	3	3	1	2
	Marine	7	2	1	-	3	4	2	1	—
	Miscellaneous	5	1	-	-	1	4	-	-	1
1850.			In 1850.	In 1851.	In 1852.					
	Life	13	1	3	2	6	7	5	-	1
	Fire	3	-	1	-	1	2	-	-	1
	Fire and Life	5	-	2	-	2	3	-	-	2
	Marine	4	-	1	-	1	3	1	—	—
	Miscellaneous	3	1	-	-	1	2	1	—	—
1851.			In 1851.	In 1852.	In 1853.					
	Life	26	7	3	-	10	16	5	1	4
	Fire	—	—	—	—	—	—	—	—	—
	Fire and Life	9	2	4	-	6	3	2	2	2
	Marine	1	-	-	-	-	1	—	—	—
	Miscellaneous	3	-	2	-	2	1	2	—	—
1852.			In 1852.	In 1853.						
	Life	27	7	5	-	12	15	10	-	2
	Fire	4	2	-	-	2	2	1	-	1
	Fire and Life	11	4	2	-	6	5	5	-	1
	Marine	5	-	-	-	-	5	—	—	—
	Miscellaneous	10	1	1	-	2	8	2	—	—
1853.			In 1853.							
	Life	6	2	-	-	2	4	2	—	—
	Fire	—	—	—	—	—	—	—	—	—
	Fire and Life	6	-	-	-	-	6	—	—	—
	Marine	3	-	-	-	-	3	—	—	—

SUMMARY.

DESCRIPTION of INSURANCE.	Number Provisionally Registered.	Number Completely Registered.	Number Remaining not Completely Registered.	Number of the Completely Registered Companies.		
				Still Existing.	Dissolved or Abandoned.	Failed to make any Returns for 1853.
Life	158	73	85	55	7	11
Fire	21	11	10	8	-	3
Fire and Life	61	27	34	15	5	7
Marine	36	16	20	8	5	3
Miscellaneous	35	13	22	10	2	1
Total	311	140	171	96	19	25

RETURN of all INSURANCE COMPANIES Provisionally Registered and Completely Registered, under the Acts of the 7 & 8 Vict. c. 110, and 10 & 11 Vict. c. 78, with the Dates of their Provisional and Complete Registration respectively, and the Amount of the Capital of each, the Amount of the Shares into which such Capital is divided, the Amount of Capital paid up, and the Number and Dates of the Accounts registered by each Company, so far as such Particulars are contained in any Returns registered by the said Companies under the said Acts, from 1 November 1844 to 30 April 1853.

No.	NAME of COMPANY.	Nature of Insurance.	Date of Provisional Registration.	Date of Complete Registration.	Amount of Capital.	Amount of each Share.	Amount Subscribed for up to last Return.	Amount Paid up as stated in Company's Accounts.	Accounts Registered.			GENERAL REMARKS.
									Number Registered.	Dates over which they extend. From	Dates over which they extend. To	
					£.	£.	£.	£. s. d.				
1	Monetary Life Office	Life	1 Nov. 1844	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
2	Manchester Independent Fire Insurance Company.	Fire	5 Dec. 1844	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
3	Sheffield, Rotherham, and Chesterfield Fire and Life Insurance Company.	Fire and Life	12 Dec. 1844	13 Dec. 1845	200,000	20	10,000	23,404 10 –	3	20 Dec. 1844	12 Oct. 1847	Dissolved on 30 March 1848.
4	Cambrian Assurance Company	Life	18 Dec. 1844	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	Never completely registered.
5	South Shields Marine Insurance Company.	Marine	10 Feb. 1845	6 Feb. 1846	3,100	100	3,100	- - not ascertainable from the accounts.	4	17 Mar. 1846	27 Mar. 1849	- - Has made no return for three years.
6	Agriculturist Cattle Insurance Company.	- - Cattle Insurance, Fire and Life.	3 Mar. 1845	1 Sept. 1845	500,000	20 subsequently altered to 5 *l.*	209,525	76,247 1 11	5	1 June 1845	29 June 1850	- - Still existing. Shares in this company are returned as having been forfeited to the amount of 197,975 *l.*; and credit is taken in the accounts for 27,435 *l.* 17 *s.* 8 *d.* under the head of Cancelled Shares.
7	Royal Insurance Company	Fire and Life	11 Mar. 1845	13 June 1845	2,000,000	20	1,823,000	273,015 – –	6	14 June 1845	31 Dec. 1851	Still existing.
8	Legal and Commercial Life Assurance Society.	Life	4 April 1845	9 Dec. 1845	500,000	50	403,500	13,817 10 –	6	July 1845	31 Dec. 1851	- - Still existing. The amount paid up is taken from the account to 31 December 1848. The subsequent accounts are made up on a different principle, and make no reference to paid-up capital.
9	Railway (British and Foreign) Life Insurance and Protection Company.	Life	22 April 1845	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No proceedings after provisional registration.
10	Railway Steam Vessel and General Life and Accident Assurance Company.	Life	12 May 1845	- - -	500,000	20	- - -	- - -	–	- - -	- - -	- - Nothing done after provisional registration.
11	Catholic Law and General Life Assurance Company.	Life	20 June 1845	10 July 1846	1,000,000	20	403,800	15,028 10 –	6	10 July 1846	31 May 1852	- - Still existing. Of the capital subscribed shares to the amount of 230,400 *l.* are returned as forfeited.
12	City of London Life Assurance Society.	Life	2 July 1845	12 Dec. 1845	250,000	50	232,750	8,590 – –	7	12 Dec. 1845	30 Oct. 1852	Still existing.

13	[illegible] and North Lancashire Fire and Life Insurance Company.	Fire and Life -	4 July 1845	5 Dec. 1845	500,000	20	169,860	16,725 - -	3	26 Aug. 1845	30 June 1848	Dissolved on 5th October 1848.
14	Drapers' Fire Insurance Company.	Fire - - -	8 July 1845	- - -	500,000	50	- - -	- - -	-	- - -	- - -	Never completely registered.
15	Ocean Mutual Marine Insurance Association.	Marine - -	9 July 1845	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	- - A draft deed of settlement for constituting this company was sent in for perusal, but was never executed.
16	New Protecting Society - -	Mutual, Marine -	10 July 1845	9 Jan. 1846	- none	- none -	- none -	- nil -	5	5 Aug. 1845	5 Aug. 1852	Still existing.
17	Widows' National and General Life Annuity and Insurance Society.	Mutual Life - -	22 July 1845	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	- - Deed of settlement perused, but company not completely registered.
18	Star Fire Insurance Company -	Fire - - -	24 July 1845	10 Oct. 1845	500,000	25	479,675	- - not fully stated in the accounts.	7	10 Oct. 1845	28 Sept. 1852	- - Still existing. The amount of capital paid up prior to 28 September 1848 cannot be ascertained, as it is not separated in the accounts from other receipts. The amount subsequently paid up is stated at 14,261 *l.* 9 *s.*
19	Fidelity Guarantee Society -	Guarantee - -	24 July 1845	- - -	100,000	20	- - -	- - -	-	- - -	- - -	- - No proceedings taken after provisional registration.
20	Tontine Life Assurance Company.	Life - - -	26 July 1845	21 July 1846	400,000	20	200,000	6,517 7 -	3	21 July 1846	31 Dec. 1848	- - Has made no return for four years; and, as no address can be discovered, is supposed to have ceased doing business.
21	Sovereign Life Assurance Company.	Life - - -	26 July 1845	9 Jan. 1846	500,000	10	244,580	46,523 - -	7	9 Jan. 1846	9 Oct. 1852	Still existing.
22	Alpha United Life Assurance and Investment Company.	Life - - -	26 July 1845	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	Never completely registered.
23	Blackburn Fire and Life Insurance Company.	Life and Fire -	31 July 1845	- - -	500,000	25	- - -	- - -	-	- - -	- - -	- - No proceeding taken after provisional registration.
24	North Lancashire and Craven Fire and Life Assurance Company.	Fire and Life -	2 Aug. 1845	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	- - No proceeding taken after provisional registration.
25	Law Fire Insurance Society -	- - Fire, Storm, or Tempest.	5 Aug. 1845	2 Dec. 1845	5,000,000	100	5,000,000	125,000 - -	6	2 Dec. 1845	25 Dec. 1851	Still existing.
26	Mitre General Life Assurance, Annuity, and Family Endowment Association.	Life - - -	6 Aug. 1845	28 May 1846	150,000	25	59,150	6,663 10 6	5	2 July 1846	17 April 1851	- - Has not made any return for the present year.
27	Medical, Law, and General Fire, and Life Insurance Company.	Life and Fire -	9 Aug. 1845	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	- - No proceeding taken after provisional registration.
28	Practicable, General, and Invalid Assurance Company.	Life - - -	18 Aug. 1845	- - -	500,000	50	- - -	- - -	-	- - -	- - -	Never completely registered.
29	Property Protection Society -	Against Theft -	21 Aug. 1845	22 Dec. 1846	150,000	25	115,000	4,020 - -	5	Compl. regist.	31 Dec. 1851	Still existing.
30	Surety Society - - -	Guarantee - -	21 Aug. 1845	- - -	200,000	10	- - -	- - -	-	- - -	- - -	- - No proceeding taken after provisional registration.

RETURN of all Insurance Companies Provisionally Registered and Completely Registered, under the Acts of the 7 & 8 Vict. c. 110, and 10 & 11 Vict. c. 78—*continued*.

No.	NAME of COMPANY.	Nature of Insurance.	Date of Provisional Registration.	Date of Complete Registration.	Amount of Capital.	Amount of each Share.	Amount Subscribed for up to last Return.	Amount Paid up as stated in Company's Accounts.	Accounts Registered.			GENERAL REMARKS.
									Number Registered.	Dates over which they extend. From	To	
					£.	£.	£. s.	£. s. d.				
31	Bradford and West Yorkshire Fire and Life Insurance Company.	Fire and Life -	23 Aug. 1845	- - -	500,000	50	- - -	- - -	–	- - -	- - -	- - No proceedings taken after provisional registration.
32	Keighley Union Fire and Life Insurance Company.	Fire and Life -	26 Aug. 1845	- - -	300,000	20	- - -	- - -	–	- - -	- - -	Never completely registered.
33	County of Lancaster Life Assurance Endowment and Loan Company.	Life - - -	1 Sept. 1845	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	Never completely registered.
34	British and Colonial Provident Life Assurance Annuity, Endowment, and Freehold Investment Company.	Life - - -	11 Sept. 1845	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No proceedings taken after provisional registration.
35	English, Cambrian, and General Life Assurance Society.	Life - - -	15 Sept. 1845	- - -	500,000	50	- - -	- - -	–	- - -	- - -	- - No proceedings taken after provisional registration.
36	Cambrian and General Insurance Company.	- Fire, Hail Storms, Life, and Cattle.	17 Sept. 1845	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No proceedings taken after provisional registration.
37	Merchant Traders' Ship, Loan, and Insurance Association.	Marine - -	18 Sept. 1845	24 April 1845	500,000	25	175,250	- - no amount anywhere stated.	–	- - -	- - -	- - Supposed to be dissolved or abandoned, notices and letters to the Company having been returned undelivered.
38	Railway Guarantee Society -	Guarantee - -	19 Sept. 1845	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No proceeding taken after provisional registration.
39	Halifax, Bradford, and Keighley Fire and Life Insurance Company.	Fire and Life -	20 Sept. 1845	12 Jan. 1846	600,000	20	599,900	58,470 - -	7	20 Sept. 1845	31 Dec. 1852	- - Still existing. Of the capital subscribed, shares to the amount of 17,500 *l.* are returned as having been forfeited.
40	London and Provincial Law Assurance Society.	Life - - -	24 Sept. 1845	5 Jan. 1846	1,000,000	50	932,550	36,989 15 -	4	Compl. regist.	31 Dec. 1849	- - Still existing. Of the capital subscribed, shares to the amount of 25,750 *l.* are returned as having been forfeited.
41	Builders' Banking Guarantee and Assurance Company.	- - Banking, Insuring Property, and Guaranteeing Accounts.	27 Sept. 1845	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No proceeding taken after provisional registration.
42	Holmfirth Fire and Life Insurance Company.	Fire and Life -	29 Sept. 1845	- - -	200,000	20	- - -	- - -		- - -	- - -	Never completely registered.
43	Bolton and South Lancashire Fire Insurance Company.	Fire - - -	29 Sept. 1845	- - -	500,000	20	- - -	- - -	–	- - -	- - -	- - An abstract of a proposed deed of settlement was presented for perusal, and was perused; but no further steps were taken for completely registering the Company.

44	Hull Sheffield, Holmfirth, and Upper Agbrigg Fire and Life Insurance Company.	Fire and Life -	1 Oct. 1845	- - -	500,000	25	- - -	- - -	-	- - -	- - -	Never completely registered.
45	Hull Fire Assurance Company	Fire - - -	4 Oct. 1845	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	Never completely registered.
46	Solicitors' and General Life Assurance Society.	Life - - -	4 Oct. 1845	6 Apr. 1846	1,000,000	50	949,000 -	23,852 10 -	5	24 Nov. 1845	31 Dec. 1851	- - Still existing. Of the subscribed capital, shares to the amount of 56,850 *l.* are returned as forfeited.
47	British Provident Institution -	Life, Mutual -	6 Oct. 1845	- - -	- nil. -	- - -	- - -	- - -	-	- - -	- - -	- - Never completely registered. A draft of the proposed deed of settlement was perused, but no further proceeding was taken.
48	Consolidated Loan Annuity and General Life Assurance Company.	Life and Loan -	21 Oct. 1845	- - -	500,000	25	- - -	- - -	-	- - -	- - -	Never completely registered.
49	Tyne Marine Insurance Company.	Marine - -	29 Oct. 1845	24 Oct. 1846	30,000	50	22,000 -	not stated -	none	- - -	- - -	Dissolved on 27 March 1848.
50	Builders' Fire and Life Insurance Company.	Life and General -	1 Nov. 1845	- - -	- - -	- - -	- - -	- - -	-	- -	- - -	- - No proceeding after provisional registration.
51	Law Life Insurance Company of Ireland.	Life - - -	3 Nov. 1845	- - -	1,000,000	20	- - -	- - -	-	- - -	- - -	- - No proceeding after provisional registration.
52	England Life and Invalid Hazard Assurance Company.	Life - - -	3 Nov. 1845	- - -	1,000,000	50	- - -	- - -	-	- - -	- - -	- - No proceeding after provisional registration.
53	National Church Insurance Company.	Fire and Life -	12 Dec. 1845	- - -	- - -	- - -	- - -	- -	-	- - -	- - -	- - No proceeding after provisional registration.
54	Medical, Legal, and General Mutual Life Assurance Company.	Life - - -	20 Dec. 1845	18 June 1846	50,000	25	25,800 -	4,570 - -	10	18 June 1846	Sept. 1852	Still existing.
55	London and Provincial Militia Substitute Insurance Company.	- - Against risk of being drawn for the Militia.	17 Jan. 1846	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	- - No steps taken after provisional registration.
56	Indemnity Insurance Association.	Marine, Mutual -	4 Feb. 1846	26 Sept. 1846	- nil. -	- nil. -	- nil. -	- nil. -	6	20 Feb. 1846	3 Feb. 1852	Still existing.
57	Reliance Guarantee Association	- - Guarantee and Indemnity.	12 Feb. 1846	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	- - No steps taken after provisional registration. A draft deed of settlement was presented for perusal.
58	India and London Life Assurance Company.	Life - - -	14 Feb. 1846	25 Apr. 1846	250,000	50	146,500 -	5,930 - -	5	25 Apr. 1846	31 Dec. 1850	- - No return has been made since 4 February 1852.
59	Cumberland Marine Insurance Company.	Ship - - -	21 Feb. 1846	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	- - No step taken after provisional registration.
60	Consolidated Investment and Assurance Company.	Life - - -	27 Feb. 1846	3 Oct. 1846	50,000	10	34,300 -	8,945 - -	6	Compl. regist.	30 Sept. 1852	- - Still existing. Of the subscribed capital, shares to the amount of 400 *l.* are returned as forfeited.
61	Liverpool Imperial Loan and Investment Company.	Life - - -	2 Mar. 1846	11 May 1846	20,000	20	12,860 -	11,894 18 -	12	11 May 1846	30 June 1852	- - Still existing. Shares to the amount of 4,660 *l.* are returned as forfeited.
62	Cambrian Mutual Life Assurance and Provident Institution.	Life - - -	2 Mar. 1846	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	Never completely registered.
63	Suffolk Life Assurance Company.	Life - - -	5 Mar. 1846	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	Never completely registered.

(continued)

RETURN of all Insurance Companies Provisionally Registered and Completely Registered, under the Acts of the 7 & 8 Vict. c. 110, and 10 & 11 Vict. c. 78—*continued*.

No.	NAME of COMPANY.	Nature of Insurance.	Date of Provisional Registration.	Date of Complete Registration.	Amount of Capital.	Amount of each Share.	Amount Subscribed for up to last Return.	Amount Paid up as stated in Company's Accounts.	Accounts Registered.			GENERAL REMARKS.
									Number Registered.	Dates over which they extend. From	Dates over which they extend. To	
					£.	£. s.	£.	£. s. d.				
64	Clergy and Law Mutual Life Assurance and Loan and Reversionary Interest Society.	Life	17 Mar. 1846	- - -	500,000	25 -	- - -	- - -	-	- - -	- - -	- - No step after provisional registration.
65	Thames and Coast Mutual Protection Society.	Marine, Mutual	4 May 1846	- - -	nil	- - -	- - -	- - -	-	- - -	- - -	- - No step after provisional registration.
66	Welch and Western Counties Insurance Company.	Maritime Life, Fire, and Agricultural.	7 May 1846	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	Never completely registered.
67	Christian Alliance Mutual Life Assurance Society.	Life, Mutual	2 June 1846	- - -	nil	- - -	- - -	- - -	-	- - -	- - -	Never completely registered.
68	Mercantile Life Assurance Association.	Life	2 June 1846	30 July 1846	500,000	10 -	312,380	13,767 15 -	3	30 July 1846	31 Dec. 1849	Dissolved.
69	General Commission Ship, Loan, and Insurance Company.	Marine	13 June 1846	23 Mar. 1847	20,000	5 -	14,160	not stated	-	- - -	- - -	- - Supposed to be dissolved or abandoned, as no address can be discovered.
70	Colonial Foreign and General Assurance Company.	Fire and Life	7 July 1846	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	- - No step after provisional registration.
71	Ocean Mutual Marine Assurance Association.	Marine, Mutual	28 July 1846	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	Not completely registered.
72	Mutual Guarantee Assurance Association.	Guarantee	1 Aug. 1846	- - -	100,000	10 -	- - -	- - -	-	- - -	- - -	- - No step after provisional registration.
73	Colonial Life Assurance Society	Life	8 Aug. 1846	27 Feb. 1847	500,000	50 -	500,000	10,000 - -	6	2 Aug. 1846	25 May 1852	Still existing.
74	People's Assurance Company	Life	13 Aug. 1846	30 April 1847	50,000	5 -	15,000	not stated	-	none	- - -	- - Supposed to be dissolved or abandoned, as no address can be discovered.
75	Magna Charta Fire and Life Assurance Institution.	Fire and Life	20 Aug. 1846	- - -	1,000,000	25 -	- - -	- - -	-	- - -	- - -	- - No step after provisional registration.
76	Legal and Commercial Fire Insurance Society.	Fire	7 Sept. 1846	22 Mar. 1847	300,000	20 -	261,260	9,938 - -	6	13 Feb. 1847	31 Mar. 1852	Still existing.
77	Merchants' Insurance Company	Fire	11 Sept. 1846	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	- - No step taken after provisional registration.
78	Manchester Fire Assurance Company	Fire	16 Sept. 1846	29 Mar. 1847	1,000,000	100 -	1,000,000	Paid up £.100,000 Accumulated 10,000 £.110,000	11	29 Sept. 1846	29 Sept. 1852	Still existing.

79	Mechanic Economic Life Assurance Company.	Life - - -	13 Oct. 1846	- -	100,000	20 –	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
80	British Empire Mutual Life Assurance Company.	Life, Mutual -	21 Oct. 1846	27 Jan. 1847	- nil. -	- - -	- - -	- - -	7	1 Jan. 1847	31 Dec. 1852	Still existing.
81	[illegible]erland Marine Insurance Company.	Marine - -	22 Oct. 1846	6 April 1847	50,000	50 –	39,200	3,905 – –	9	7 April 1847	30 June 1851	- - Has made no return since 4th September 1851.
82	[illegible] Life Assurance Company.	Life - - -	30 Nov. 1846	9 April 1847	250,000	12 10 subsequently reduced to 6 5	250,000	19,135 10 –	6	9 April 1847	31 Dec. 1852	Still existing.
83	United Kingdom Cattle Insurance Company.	Cattle - - -	3 Dec. 1846	4 Mar. 1847	250,000	20 –	66,200	3,310 – –	2	1 Jan. 1847	31 Dec. 1848	- - Supposed to be dissolved or abandoned, the notices sent to the company being returned undelivered.
84	[illegible] Life Assurance Company.	Life and Fire -	4 Dec. 1846	5 Jan. 1847	1,000,000	50 – subsequently reduced to 25 –	363,250	31,600 7 3	5	Jan. 1847	29 Sept. 1852	- - Still existing. Of the subscribed capital, shares to the amount of 64,500*l.* are returned as having been forfeited.
85	[illegible] Provincial Joint Stock Life Insurance Company.	Life - - -	16 Dec. 1846	8 July 1847	500,000	25 –	191,000	15,969 – –	6	27 Mar. 1847	13 Sept. 1852	- - Still existing. Of the subscribed capital, shares to the amount of 43,575*l.* are returned as forfeited.
86	[illegible] Life Assurance and General Provident Investment Association.	Life - - -	2 Jan. 1847	- - -	50,000	10 –	- - -	- - -	–	- - -	- - -	Never completely registered.
87	Mercicants' and Tradesmen's [illegible] Life Assurance Society.	Life - - -	6 Jan. 1847	28 May 1847	100,000	50 –	35,200	3,680 – –	5	– 1847	31 Jan. 1852	Still existing.
88	[illegible]ish Widows' Fund and General Life Assurance Association.	Life - - -	14 Jan. 1847	19 Nov. 1847	200,000	20 –	77,540	3,651 – –	4	1 April 1847	31 Dec. 1852	Still existing.
89	[illegible]dependent Assurance Company.	Life - - -	13 Feb. 1847	19 Oct. 1848	100,000	12 10	30,362/10	- not stated -	none	- - -	- - -	- - Supposed to be dissolved or abandoned. No address known.
90	[illegible] of London Shipowners' Loan and Assurance Company.	Loan, Marine -	24 Feb. 1847	22 April 1847	50,000	100 –	51,100	- not stated -	none	- - -	- - -	- - Has made no return since February 1849. Is supposed to be dissolved or abandoned. No address known.
91	[illegible] Freight Insurance Association.	Mutual, Marine -	24 Feb. 1847	27 Sept. 1847	- nil. -	- - -	- - -	- - -	5	5 Aug. 1847	5 Aug. 1852	Still existing.
92	[illegible] Life Assurance Company.	Life - - -	4 Mar. 1847	2 June 1848	50,000 subsequently increased to 100,000	25 – subsequently reduced to 5 –	6,905	447 7 11½	7	April 1847	31 Dec. 1851	Still existing.
93	Clergy and Law Life Assurance Society.	Life - - -	11 Mar. 1847	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
94	[illegible] Assurance Company -	Life and Fire -	18 Mar. 1847	23 Dec. 1847	1,000,000	20 –	358,100	30,327 6 5	4	11 Oct. 1847	31 Dec. 1851	- - Still existing. Shares to the amount of 8,700*l.* are returned as forfeited.
95	World Life Assurance Company.	Life - - -	22 Mar. 1847	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.

(*continued*)

RETURN of all Insurance Companies Provisionally Registered and Completely Registered, under the Acts of the 7 & 8 Vict. c. 110, and 10 & 11 Vict., c. 78—*continued*.

No.	NAME of COMPANY.	Nature of Insurance.	Date of Provisional Registration.	Date of Complete Registration.	Amount of Capital.	Amount of each Share.	Amount Subscribed for up to last Return.	Amount Paid up as stated in Company's Accounts.	Accounts Registered.			GENERAL REMARKS.
									Number Registered.	Dates over which they extend. From	To	
					£.	£. s.	£. s.	£. s. d.				
96	Engineers', Contractors', Architects', and Builders' Insurance and Guarantee Company.	Life and Guarantee	22 Mar. 1847	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
97	Huddersfield District Fire and Life Assurance Company.	Life and Fire	1 April 1847	- - -	- - -	- - -	- -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
98	Gresham Life Assurance Society.	Life - - -	12 May 1847	17 July 1848	100,000	20 –	100,000 –	18,229 – –	4	July 1848	31 July 1852	- - Still existing. The whole capital in this company appears to be allotted, but from the manner in which the returns are made, it is difficult to ascertain the exact amount.
99	Preceptors' and General Mutual Life Assurance Company.	Life - - -	15 May 1847	21 Aug. 1848	100,000	10 –	31,350 –	- not stated -	none	- - -	- - -	Dissolved.
100	Darlington Marine Assurance Company.	Marine, Mutual -	28 May 1847	11 Oct. 1847	- nil -	- - -	- - -	- - -	5	14 May 1847	11 June 1852	Still existing.
101	National Provident and Benefit Society.	Life - - -	3 July 1847	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
102	Railway Casualty Compensation Company.	Life and Accident	3 July 1847	- - -	1,000,000	20 –	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
103	Ocean Mutual Marine Insurance Association.	Marine, Mutual -	8 July 1847	27 Sept. 1847	- nil -	- - -	- - -	- - -	3	3 Aug. 1847	5 Aug. 1849	- - Has made no return since June 1852.
104	Etonian and General Life Assurance and Endowment Society.	Life - - -	22 July 1847	31 Dec. 1847	50,000	10 –	20,910 –	3,933 – –	3	5 Aug. 1847	19 July 1850	- - Continues in existence, but is understood to be doing no business.
105	North of England Fire and Life Insurance Company.	Life and Fire -	7 Aug. 1847	13 Oct. 1847	500,000	20 –	246,180 –	35,671 – –	6	12 Oct. 1847	28 Feb. 1853	Still existing.
106	Phalanx Estate Assurance Company.	- - Life, Fire, and Estate.	23 Aug. 1847	- - -	50,000	100 –	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
107	Railway Life Assurance Accident, Trust, and Provident Society.	Life - - -	29 Nov. 1847	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
108	Metropolitan Counties and General Life Assurance Loan Investment and Annuity Company.	Life - - -	30 Nov. 1847	30 May 1848	100,000	10 –	78,960 –	16,131 7 –	4	31 May 1848	31 Mar. 1852	Still existing.
109	Declined Lives and General Life Assurance Annuity and Reversionary Interest Company.	Life - - -	9 Dec. 1847	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	Never completely registered.

110	County Hail Storm Insurance Company.	-- Against damage by Hail Storm.	24 Dec. 1847	31 May 1848	50,000	10 -	33,570 -	3,513 6 -	5	19 Feb. 1848	31 Dec. 1852	Still existing.
111	Ægis Life Assurance Company	Life - - -	8 Feb. 1848	15 Dec. 1848	100,000	20	87,700 -	2,192 10 -	4	14 Feb. 1848	31 Dec. 1852	Still existing.
112	Mentor Life Assurance Society	Life - - -	12 Feb. 1848	13 June 1848	250,000	50	250,000 -	12,500 -	4	13 June 1848	31 Dec. 1852	Still existing.
113	United Traders' Life Assurance and Endowment Company.	Life - - -	16 Feb. 1848	15 June 1848	100,000	10	26,090 -	- not stated -	none	- - -	- - -	-- Has made no return since complete registration. Is supposed to be dissolved or abandoned.
114	Engineers', Masonic, and Universal Mutual Life Assurance Society.	Life - - -	19 Feb. 1848	7 June 1848	100	2 10	42 10	- not stated -	5	11 June 1846	31 Dec. 1852	-- Still existing. This is a Mutual Insurance Company, with a nominal capital of 100 *l.*
115	United Guarantee and Life Assurance Company.	Life and Guarantee	23 Feb. 1848	17 April 1849	100,000	20 -	83,620	10,069 -	3	17 April 1849	31 Dec. 1851	Still existing.
116	London Indisputable Life Policy Company.	Life, Mutual -	16 Mar. 1848	14 June 1848	- nil -	- - -	- - -	- - -	4	14 June 1848	31 Dec. 1851	-- Has made no return since 13 September 1852.
117	British Empire Mutual Fire Assurance Society.	Fire, Mutual -	1 June 1848	17 Aug. 1848	- nil -	- - -	- - -	- - -	3	28 Mar. 1848	30 June 1851	Still existing.
118	Mining and General Mutual Life Assurance Society.	Life - - -	5 June 1848	- - -	50,000	10 -	- - -	- - -	-	- - -	- - -	-- No step taken after provisional registration.
119	Railway Provident Mutual and Benevolent Association.	Life - - -	3 July 1848	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	-- No step taken after provisional registration.
120	National Mercantile Fire Insurance Society.	Fire - - -	27 July 1848	21 Dec. 1848	250,000	10 -	127,310 -	22,622 - -	2	25 Dec. 1848	Nov. 1851	Still existing.
121	Prudential Mutual Assurance Investment and Loan Association.	Life and Loan -	5 Aug. 1848	23 Dec. 1848	100,000	20 -	68,220 -	2,232 8 - was the amount paid upon 24 Dec. 1851, but it cannot be ascertained from the accounts whether any further amount has been paid.	4	4 Dec. 1848	31 Dec, 1852	Still existing.
122	Family Protection Life Assurance Society.	Life - - -	8 Aug. 1848	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	-- No step taken after provisional registration.
123	Government Office and General Life and Fidelity Assurance Annuity and Loan Society.	Life and Guarantee	20 Sept. 1848	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	Never completely registered.
124	County Mutual Life Assurance Company.	Life, Mutual -	18 Oct. 1848	6 July 1849	- nil -	- - -	- - -	- - -	3	18 Oct. 1848	29 June 1850	Still existing.
125	Champion Life Assurance, Annuity, and Reversionary Interest Company.	Life - - -	23 Nov. 1848	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	-- No step taken after provisional registration.
126	Railway Passengers' Assurance Company.	Life and Accident	15 Dec. 1848	22 Mar. 1849	1,000,000	50 -	771,250 -	14,904 - -	5	22 Mar. 1849 The account from 1 July to 31 December 1851 has not been registered.	31 Dec. 1852	Still existing.
127	Equitable Guarantee and Life Assurance Society.	Life - - -	15 Dec. 1848	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	-- No step taken since provisional registration.
128	Railway Assurance Company -	Railway Accident	16 Dec. 1848	16 July 1850	100,000	20 -	49,940 -	3,200 - -	2	1 Aug. 1850	31 Jan. 1852	-- Amalgamated with the Accidental Death Insurance Company by Act of Parliament.

(continued)

RETURN of all Insurance Companies Provisionally Registered and Completely Registered, under the Acts of the 7 & 8 Vict. c. 110, and 10 & 11 Vict. c. 78—*continued.*

No.	NAME of COMPANY.	Nature of Insurance.	Date of Provisional Registration.	Date of Complete Registration.	Amount of Capital.	Amount of each Share.	Amount Subscribed for up to last Return.	Amount Paid up as stated in Company's Accounts.	Accounts Registered.			GENERAL REMARKS.
									Number Registered.	Dates over which they extend. From	Dates over which they extend. To	
					£.	£. s. d.	£. s.	£. s. d.				
129	North Staffordshire Mutual Cattle Insurance Company.	Cattle, Mutual	21 Dec. 1848	7 June 1849	nil	- - -	- -	- - -	4	June 1849	31 Dec. 1852	Still existing.
130	London Mutual Life and Guarantee Society.	Life and Loan	22 Dec. 1848	23 Oct. 1849	50,000	10 - -	42,950 -	5,000 - -	2	27 June 1849	31 Dec. 1851	Still existing.
131	Law Guarantee and Life Assurance Society.	Life and Guarantee	22 Dec. 1848	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	- - No step taken after provisional registration.
132	Traders' and General Loan Guarantee and Life Assurance Company.	Life and Loan	23 Dec. 1848	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	- - No step taken after provisional registration.
133	Rye Mutual Marine Assurance Association.	Marine, Mutual	26 Dec. 1848	7 Mar. 1849	nil	- - -	- - -	- - -	3	6 Jan. 1849	6 Jan. 1852	Still existing.
134	Times Life Assurance and Guarantee Company.	Life and Guarantee	3 Jan. 1849	1 June 1849	50,000	10 - -	36,960 -	4,180 - -	3	1 June 1849	30 April 1852	Still existing.
135	Legal Title Insurance Company.	- - Against defects in titles to land, &c.	17 Jan. 1849	- - -	2,000,000	25 - -	- - -	- - -	-	- - -	- - -	- - No step taken after provisional registration.
136	Law Property Assurance and Trust Society.	Life and Guarantee	27 Jan. 1849	17 May 1850	250,000	50 - -	240,800 -	7,950 - -	3	17 May 1850	17 May 1852	Still existing.
137	Sea Fire Life Assurance Company.	- - Life, Fire, Marine, and Guarantee.	28 Feb. 1849	- - -	100,000	1 - -	- - -	- - -	-	- - -	- - -	- - No step taken after provisional registration.
138	Accidental Death Insurance Company.	Life, Accident	1 Mar. 1849	24 Jan. 1850	100,000 increased by Act of Parliament to 110,000*l.*	20 - -	110,000 -	33,600 - -	2	17 Jan. 1850	31 Jan. 1852	- - Still existing. Amalgamated by Act of Parliament with the Railway Assurance Company.
139	Norfolk Farmers' Cattle Insurance Society.	Cattle	14 Mar. 1849	8 Aug. 1849	50,000	10 - -	13,500 -	665 - -	1	6 Oct. 1849	31 Dec. 1850	- - Has made no return since January 1852.
140	Economic Mutual Marine Assurance Association.	Ship Assurance	29 Mar. 1849	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	- - No step taken since provisional registration.
141	Gas Proprietors' Mutual Fire Assurance and General Guarantee Fund Society.	Fire	5 April 1849	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	- - No step taken after provisional registration.
142	Cambrian and Universal Insurance Company.	Life and Fire	7 April 1849	22 Dec. 1849	100,000	25 - -	57,875 -	3,165 - -	2	22 Dec. 1849	31 Dec. 1851	Still existing.
143	United Mutual Mining and General Life Assurance Society.	Life	10 April 1849	27 Aug. 1849	nil	- - -	- - -	- - -	3	17 Aug. 1849	31 May 1852	Still existing.
144	Provident A. 1 Mutual Insurance Association.	Marine, Mutual	11 April 1849	27 July 1850	nil	- - -	- - -	- - -	2	Aug. 1849	5 Aug. 1851	Still existing.
145	National Loan, Life, and General Assurance Company.	Life and Loan	25 April 1849	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	- - No step taken after provisional registration.

146	Sunderland A. 1 Insurance Association.	Marine, Mutual -	24 May 1849	16 Oct. 1849	- Nil. -	- - -	- - -	- - -	3	5 Aug. 1849	16 July 1852	Still existing.
147	Catholic Law and General Fire Insurance Company.	Fire - - -	2 June 1849	12 July 1850	100,000	5 - -	26,310 -	not stated	none	- - -	- - -	- - Has made no return since July 1852.
148	Equitable Fire Insurance Company.	Fire - - -	25 June 1849	19 July 1850	500,000	20 - -	188,980 -	15,562 10 -	1	25 June 1849	25 Dec. 1851	Still existing.
149	Tradesmen's and General Life Assurance Reversionary Interest and Annuity Company.	Life - - -	4 July 1849	- - -	100,000	5 - -	- - -	- - -	- -	- - -	- - -	- - No step taken after provisional registration.
150	Sea, Fire, Life Assurance Society	- - Marine, Guarantee, Life and Fire.	16 July 1849	8 Oct. 1849	100,000	1 - -	32,465 -	not stated -	none	- - -	- - -	- - Supposed to be dissolved or abandoned. No address can be discovered.
151	Solvency Guarantee Company	- - Guarantee against Loss by Bankruptcies.	26 July 1849	- - -	500,000	20 - -	- - -	- - -	- -	- - -	- - -	Never completely registered.
152	National Guardian Assurance Society.	- - Fire, Life, and Guarantee.	28 July 1849	16 Jan. 1851	100,000	5 - -	35,550 -	3,126 1 -	1	16 Jan. 1851	31 Dec. 1851	- - Has made no return since August 1852.
153	Industrial and General Life Assurance and Deposit Company.	Life - - -	11 Aug. 1849	29 Dec. 1849	100,000	2 10 -	71,717 10	8,254 10 -	2	2 Aug. 1849	14 Feb. 1852	Still existing.
154	East of England Mutual Life Assurance Society.	Life - - -	14 Aug. 1849	6 Feb. 1850	40,000	20 - -	14,200 -	7,970 - -	1	1 March 1850	31 Dec. 1851	Still existing.
155	Absolute Security Life Assurance Institution,	Life - - -	17 Aug. 1849	- - -	- - -	- - -	- - -	- - -	- -	- - -	- - -	- - No step taken after provisional registration.
156	English and Cambrian Assurance Society.	Fire and Life -	22 Aug. 1849	3 June 1850	150,000	12 10 -	76,712 10	12,381 - 4	2	3 June 1850	3 April 1852	Still existing.
157	Colonization Assurance Corporation.	- - Life, with Colonization.	27 Aug. 1849	23 Mar. 1850	100,000	10 - -	28,820 -	not stated -	none	- - -	- - -	- - Incorporated by Act of Parliament; and required by its Act to register an annual balance-sheet. No balance-sheet has been registered.
158	Athenæum Life Assurance Society.	Life - - -	28 Aug. 1849	14 May 1851	- - 10,000 *l.* subsequently increased to 100,000 *l.*	1 - -	55,200 -	18,515 3 2	1	30 June 1851	30 June 1852	Still existing.
159	English and Scottish Cattle Insurance Company.	Cattle - - -	31 Aug. 1849	- - -	- - -	- - -	- - -	- - -	- -	- - -	- - -	- - No step taken after provisional registration.
160	Anchor Assurance Company -	Fire and Life -	6 Sept. 1849	1 Oct. 1849	1,000,000	20 *l.* subsequently altered to 5 *l.*	150,100 -	- - cannot be ascertained.	1	1 Oct. 1849	30 Sept. 1851	Still existing.
161	North Star Insurance Association, Hartlepool.	Ship - - -	14 Sept. 1849	- - -	- - -	- - -	- - -	- - -	- -	- - -	- - -	Never completely registered.
162	General Commercial Debt Insurance Company.	- - Indemnity against Losses from failure of Commercial Debtors.	20 Sept. 1849	- - -	500,000	20 - -	- - -	- - -	- -	- - -	- - -	- - No step taken after provisional registration.
163	British Provident Life and Fire Assurance Society.	Life and Fire -	21 Sept. 1849	31 Dec. 1850	100,000	10 - -	29,070 -	not stated -	none	- - -	- - -	- - Has made no return since October 1852.
164	Standard Marine Insurance Association	Ship - - -	15 Oct. 1849	- - -	- - -	- - -	- - -	- - -	- -	- - -	- - -	Never completely registered

cont. next

RETURN of all Insurance Companies Provisionally Registered and Completely Registered, under the Acts of the 7 & 8 Vict. c. 110, and 10 & 11 Vict. c. 78—*continued*.

No.	NAME of COMPANY.	Nature of Insurance.	Date of Provisional Registration.	Date of Complete Registration.	Amount of Capital.	Amount of each Share.	Amount Subscribed for up to last Return.	Amount Paid up as stated in Company's Accounts.	Accounts Registered.			GENERAL REMARKS.
									Number Registered.	Dates over which they extend. From	To	
					£.	£. s. d.	£. s.	£. s. d.				
165	Exchequer Life Assurance Society.	Life	19 Oct. 1849	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	Never completely registered.
166	Estate Agents', Auctioneers', Surveyors', and General Insurance Company for Fire, Life, and Fidelity.	- - Life, Fire, and Guarantee.	5 Nov. 1849	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
167	London and Provincial Bankers' Safety, Fire, and Life Assurance Company.	Life and Fire	16 Nov. 1849	- - -	1,000,000	10 – –	- - -	- - -	–	- - -	- - -	Never completely registered.
168	London Marine Brokers' Society	- - Marine and Fire, and Guarantee.	22 Nov. 1849	31 Dec. 1849	10,000	2 – –	2,530 –	- - no information registered on this point.	none	- - -	- - -	- - Has made no return since August 1850; supposed to be broken up, as no address can be discovered.
169	Maritime Travellers' Life Assurance Company.	Life	1 Dec. 1849	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
170	Hartlepool Marine Freight Insurance Association.	Marine, Mutual	1 Dec. 1849	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
171	British Homœopathic and General Life Assurance Annuity and Reversionary Interest Company.	Life	12 Dec. 1849	- - -	250,000	25 – –	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
172	Leaseholders' Guardian and General Life Assurance Association.	Life	15 Dec. 1849	- - -	100,000	5 – –	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
173	Landlords' Mutual Rent Assurance and Investment Society.	- - Life and Fire, and Rents.	1 Jan. 1850	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
174	Age Assurance Company	Life and Loan	29 Jan. 1850	7 Jan. 1851	100,000	10 – –	96,190 –	10,740 – –	1	7 Jan. 1851	18 Aug. 1852	Still existing.
175	Rent Guarantee Society	- - Guarantee of Rents and Annuities.	8 Feb. 1850	21 Dec. 1850	100,000	10 – –	37,270 –	4,547 – –	2	21 Dec. 1850	30 Nov. 1852	Still existing.
176	United Service and General Life Assurance and Guarantee Association.	Life and Guarantee	26 Feb. 1850	- - -	50,000	5 – –	- - -	- - -	–	- - -	- - -	Never completely registered.
177	Life Protective Assurance Company.	Life	27 Feb. 1850	- - -	150,000	5 – –	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
178	British and Foreign Ship Assurance Company.	Ship	7 Mar. 1850	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
179	Mutual Marine Insurance Association, Hartlepool.	Marine, Mutual	13 Mar. 1850	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.

180	New Equitable Life Assurance Company.	Life	6 April 1850										- - A draft of the deed of settlement was perused, but complete registration was not effected.
181	Iris Family and Commercial Life Assurance Company.	- - Life, Fire, and Guarantee.	25 April 1850										Never completely registered.
182	[illegible] Life and Fire Insurance Company.	Life and Fire	4 May 1850		1,000,000	10							- - No step taken after provisional registration.
183	Royal British Service Medical Life Assurance and Annuity Society.	Life	4 May 1850										- - No step taken after provisional registration.
184	Mercantile Guarantee Association.	Guarantee	18 May 1850		500,000	25							Never completely registered.
185	Hand-in-Hand Honorable and General Life Assurance Society and Provident Institution.	Life	25 May 1850										Never completely registered.
186	Liverpool Fire Insurance Company.	Fire	17 June 1850	20 March 1851	150,000	25	125,075	-	- - cannot be ascertained.	none			- - Has made no return since June 1852.
187	Trafalgar Life Assurance Association.	Life and Marine	24 June 1850	13 Nov. 1850	250,000	10	249,900	-	12,400	3	Nov. 1850	30 Sept. 1852	Still existing.
188	National Mutual Insurance Association.	Marine, Mutual	8 July 1850	7 March 1851	nil					2	5 August 1850	19 July 1852	Still existing.
189	United Kingdom Mutual Marine Insurance Association.	Marine, Mutual	30 July 1850										- - Provisional registration has been twice renewed, and the deed of settlement perused; but complete registration has not been effected.
190	Vulcan Fire Insurance Company.	Fire	12 Aug. 1850										- - No step taken after provisional registration.
191	Accidental Injury and Death Assurance Company.	- - Life and Accident Compensation.	24 Aug. 1850										- - No step taken after provisional registration.
192	Hope Life Assurance Society	Life and Guarantee	15 Oct. 1850										- - No step taken after provisional registration.
193	Dragon and General Life Insurance Company.	Life	16 Oct. 1850	24 April 1852	100,000	5	75,535	-	not stated	none			Still existing.
194	Railway Cattle Insurance Company.	- - Cattle, Life, and Accident.	13 Nov. 1850		20,000	5							- - Deed of settlement perused, but complete registration not effected.
195	Times Fire and Property Assurance Company.	- - Life, Fire, and Hail Storm.	16 Nov. 1850	17 Sept. 1851	100,000	20	28,600	-	not stated	none			- - Has made no return since January 1852.
196	Prince of Wales Life and Educational Assurance Company	Life	9 Dec. 1850	23 Sept. 1851	200,000	10	156,850	-	6,173	1	23 Sept. 1851	31 Dec. 1852	Still existing.
197	National Weekly Life Assurance Company.	Life	10 Dec. 1850	15 April 1852	100,000	10	30,550	-	not stated	none			- - Has made no return since complete registration.
198	England Mutual Fire Insurance Society.	Fire, Mutual	11 Dec. 1850										- - No step taken after provisional registration.
199	Brewers', Distillers', Licensed Victualler's, and General Life and Fire Assurance and Loan and Endowment Company	Life and Fire	17 Dec. 1850	26 April 1851	125,000	10	56,210	-	2,960	4	April 1851	30 June 1852	- - Has made no return since June 1852.

(*continued*)

RETURN of all Insurance Companies Provisionally Registered and Completely Registered, under the Acts of the 7 & 8 Vict. c. 110, and 10 & 11 Vict. c. 78—*continued*.

No.	NAME of COMPANY.	Nature of Insurance.	Date of Provisional Registration.	Date of Complete Registration.	Amount of Capital.	Amount of each Share.	Amount Subscribed for up to last Return.	Amount Paid up as stated in Company's Accounts.	Accounts Registered.			GENERAL REMARKS.
									Number Registered.	Dates over which they extend. From	Dates over which they extend. To	
					£.	£. s. d.	£. s.	£. s. d.				
200	New Equitable Life Assurance Company.	Life - - -	30 Dec. 1850	30 Jan. 1851	100,000	10 – –	56,970 –	4,443 3 10	2	1 Feb. 1851	31 Dec. 1852	Still existing.
201	Missionary and General Life Assurance Association.	Life - - -	1 Jan. 1851	- - -	- - -	- - -	- - -	- - -	- -	- - -	- - -	- - No step taken after provisional registration.
202	Kent Mutual Assurance Society	Life, Mutual -	3 Jan. 1851	10 Nov. 1851	nil.	- - -	- - -	- - -	1	10 Nov. 1851	30 Mar. 1852	Still existing.
203	Marine Casualty and Life Insurance Company.	Marine and Life -	8 Jan. 1851	- - -	- - -	- - -	- - -	- - -	- -	- - -	- - -	- - No step taken after provisional registration.
204	Marine Life Insurance Company.	Life and Accident -	8 Jan. 1851	- - -	- - -	- - -	- - -	- - -	- -	- - -	- - -	- - No step taken after provisional registration.
205	Emigrant and Passenger Life Assurance Company.	Life - - -	11 Jan. 1851	- - -	- - -	- - -	- - -	- - -	- -	- - -	- - -	- - No step taken after provisional registration.
206	London Monetary Advance and Life Assurance Company.	Life and Loan - -	18 Jan. 1851	8 July 1851	30,000	5 – –	11,180 –	2,884 7 6	1	30 June 1851	31 Dec. 1851	Still existing.
207	Exchequer and Railway Mutual Life Assurance Society.	Life and Loan - -	25 Jan. 1851	2 May 1851	- nil -	- - -	- - -	- - -	- -	- - -	- - -	Dissolved 13 October 1851.
208	Reciprocal Life Assurance Company.	Life - - -	31 Jan. 1851	9 July 1851	100,000	5 – –	34,065 –	- - -	- -	- - -	- - -	- - Has made no return since February 1852.
209	Waterloo Life, Education, Casualty, and Self-Relief Assurance Company.	Life - - -	4 Feb. 1851	24 Nov. 1851	400,000	5 – –	294,140 –	- not stated -	none	- - -	- - -	- - Has made no return since July 1852.
210	Life Policy and General Investment Company.	Life - - -	15 Feb. 1851	- - -	- - -	- - -	- - -	- - -	- -	- - -	- - -	- - No step taken after provisional registration.
211	Bankers' Insurance Company.	Life - - -	15 Feb. 1851	- - -	- - -	- - -	- - -	- - -	- -	- - -	- - -	- - No step taken after provisional registration.
212	British and Foreign Life Assurance Company.	Life - - -	6 March 1851	- - -	- - -	- - -	- - -	- - -	- -	- - -	- - -	- - No step taken after provisional registration.
213	Ecclesiastical Home and Annuity Endowment Society.	Life - - -	19 March 1851	- - -	- - -	- - -	- - -	- - -	- -	- - -	- - -	- - No step taken after provisional registration.
214	Palatine Life and Fire Assurance Company.	Life and Fire -	14 April 1851	- - -	- - -	- - -	- - -	- - -	- -	- - -	- - -	Not completely registered.
215	Herald Life Assurance Society.	Life - - -	30 April 1851	- - -	- - -	- - -	- - -	- - -	- -	- - -	- - -	- - No step taken after complete registration.
216	National Provincial Life Assurance Society.	Life - - -	2 May 1851	16 July 1851	50,000	5 – –	44,425 –	5,790 11 9	1	1 June 1851	31 July 1852	Still existing.
217	Essex Mutual Cattle Insurance Society.	Cattle - - -	3 June 1851	- - -	- - -	- - -	- - -	- - -	- -	- - -	- - -	- - No step taken after provisional registration.
218	London and County Assurance Company.	Life and Fire -	19 June 1851	17 Oct. 1851	100,000	5 – –	27,000 –	- not stated -	none	- - -	- - -	- - Has made no return since February 1852.

219	New Protector Life Assurance Mutual Aid and Investment Association.	-- Life and Guarantee, Mutual	9 Aug. 1851	27 Nov. 1851	nil	- - -	- - -	- - -	- - -	- - -	-- Has made no return since April 1852.
220	Surplus Assurance Society	-- Life and Fire, Mutual.	23 Aug. 1851	31 Dec. 1851	nil	- - -	- - -	- - -	- - -	- - -	Dissolved 28 June 1852.
221	Oak Mutual Life Assurance and Loan Company.	Life and Loan	6 Oct. 1851	31 July 1852	50,000	5 - -	15,115 -	not stated	none	- - -	-- Has made no return since August 1852.
222	Maritime Passengers' Assurance Company.	-- Life and Accident at Sea.	8 Oct. 1851	13 Feb. 1852	100,000	10 - -	32,670 -	not stated	none	- - -	Still existing.
223	Great Western Insurance Company.	Life and Fire	13 Oct. 1851	- - -	- - -	- - -	- - -	- - -	- - -	- - -	-- No step taken since provisional registration.
224	Counties Union Assurance Company.	-- Life, Fire, Loan, Guarantee, and Railway Accident.	16 Oct. 1851	12 Feb. 1852	100,000	10 - -	42,020 -	not stated	none	- - -	-- Has made no return since October 1852.
225	Provincial Insurance Company	-- Life and Fire and Accident at Sea.	20 Oct. 1851	19 April 1852	100,000	10 - -	81,200 -	not stated	none	- - -	Still existing.
226	Universal Annuity and Endowment Society.	Life - - -	25 Oct. 1851	- - -	50,000	10 - -	- - -	- - -	- - -	- - -	-- Deed of settlement perused, but complete registration not effected.
227	Queen Life Assurance Society.	Life - - -	28 Oct. 1851	- - -	- - -	- - -	- - -	- - -	- - -	- - -	Not yet completely registered.
228	Universal British and Colonial Life and Fire Assurance Company.	Life and Guarantee	12 Nov. 1851	- - -	100,000	5 - -	- - -	- - -	- - -	- - -	Not yet completely registered.
229	Householders' and General Life Assurance Company.	Life - - -	20 Nov. 1851	10 Mar. 1852	10,000	1 - -	4,725 -	not stated	none	- - -	Still existing.
230	Benefactor Assurance Company	-- Life, Fire, and Reversionary Interest.	28 Nov. 1851	- - -	- - -	- - -	- - -	- - -	- - -	- - -	-- No step taken after provisional registration.
231	Commercial Credit Mutual Assurance Society.	Assurance of Debts	29 Nov. 1851	27 May 1852	50,000	10 - -	48,000 -	not stated	none	- - -	Still existing.
232	Hope Mutual Life Assurance and Honesty Guarantee Society.	Life and Fire	3 Dec. 1851	20 April 1852	100,000	10 - -	47,400 -	not stated	none	- - -	Still existing.
233	Home and Foreign Mutual Assurance Society.	-- Life and Fire, Mutual.	4 Dec. 1851	28 May 1852	nil	- - -	- - -	- - -	none	- - -	Dissolved on 29 January 1853.
234	St. George Life Assurance Annuity and General Investment Company.	Life - - -	4 Dec. 1851	- - -	250,000	25 - -	- - -	- - -	- - -	- - -	Not yet completely registered.
235	Life at Sea Assurance Company.	-- Passenger Assurance.	5 Dec. 1851	- - -	- - -	- - -	- - -	- - -	- - -	- - -	-- No step taken after provisional registration.
236	Reunion Anglo-European Fire, Life, and Marine Assurance Company.	-- Fire, Life and Marine.	10 Dec. 1851	- - -	- - -	- - -	- - -	- - -	- - -	- - -	-- No step taken after provisional registration.
237	Government Life Assurance Company.	Life - - -	12 Dec. 1851	- - -	- - -	- - -	- - -	- - -	- - -	- - -	-- Deed of settlement perused, but not completely registered.
238	Solvency Mutual Guarantee Company.	Debt Insurance	19 Dec. 1851	8 Nov. 1852	nil	- - -	- - -	- - -	- - -	- - -	Still existing.
239	Home and Foreign Security and Life Society.	Guarantee and Life	31 Dec. 1851	- - -	- - -	- - -	- - -	- - -	- - -	- - -	-- No step taken after provisional registration.

(*continued*)

RETURN of all Insurance Companies Provisionally Registered and Completely Registered, under the Acts of the 7 & 8 Vict. c. 110, and 10 & 11 Vict. c. 78—*continued*.

No.	NAME of COMPANY.	Nature of Insurance.	Date of Provisional Registration.	Date of Complete Registration.	Amount of Capital.	Amount of each Share.	Amount Subscribed for up to last Return.	Amount Paid up as stated in Company's Accounts.	Accounts Registered.			GENERAL REMARKS.
									Number Registered.	Dates over which they extend. From	To	
					£.	£. s. d.	£. s.	£. s. d.				
240	Protestant Life and Fire Insurance Association.	Life and Fire	1 Jan. 1852	16 Oct. 1852	100,000	5 – –	27,550 –	not stated	none	- - -	- - -	Still existing.
241	Bangor Mutual Ship Insurance Society.	Marine, Mutual	2 Jan. 1852	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	Not yet completely registered.
242	British Isles Transferential Fire and Life Assurance Annuity, Mutual Endowment, Economic, and Educational Association.	Fire and Life	2 Jan. 1852	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
243	Provident Marine Insurance Company.	Marine	9 Jan. 1852	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No step taken after provisional registration.
244	Era Assurance Society.	Life and Fire	14 Jan. 1852	28 Feb. 1852	10,000	1 – –	7,677 –	not stated	none	- - -	- - -	Still existing.
245	Marine, Life, and Casualty Mutual Assurance Society.	- - Life Assurance on Land and at Sea, Mutual	24 Jan. 1852	5 July 1852	nil	- - -	- - -	- - -	1	5 July 1852	31 Dec. 1852	Still existing.
246	National Provincial Fire Insurance Company.	Fire and Guarantee	24 Jan. 1852	30 Dec. 1852	250,000	10 – –	75,900 –	not stated	none	- - -	- - -	Still existing.
247	Plate Glass Insurance Company.	Plate Glass Insurance	7 Feb. 1852	17 Mar. 1852	10,000	5 – –	8,950 –	not stated	none	- - -	- - -	Still existing.
248	Athenæum Fire Insurance Society.	Fire	26 Feb. 1852	31 Dec. 1852	100,000	100 – –	25,000 –	not stated	none	- - -	- - -	- - Has made no return since complete registration.
249	Annual Bonus Life Assurance Society.	Life and Fire	27 Feb. 1852	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - A draft deed was presented for perusal, but the Company has not been completely registered.
250	Ocean Passengers' Life Assurance Company.	- - Marine and General Life.	2 March 1852	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No step taken since provisional registration.
251	London and Provincial Mutual Life Assurance Society.	Life	4 March 1852	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - No step taken since provisional registration.
252	Surrey Mutual Assurance Company.	- - Mutual Life, Fire, and Guarantee.	6 March 1852	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	- - Notice has been received of the abandonment of the company.
253	British, Colonial, and Foreign Life Assurance Company.	Life	8 March 1852	- - -	100,000	1 – –	- - -	- - -	–	- - -	- - -	Not yet completely registered.
254	Lancashire Insurance Company	- - Fire, Life, Marine, and Guarantee.	12 March 1852	22 June 1852	2,000,000	20 – –	123,780 –	not stated	none	- - -	- - -	Still existing.
255	National Live Stock Insurance Company.	Cattle	17 March 1852	- - -	500,000	5 – –	- - -	- - -	–	- - -	- - -	- - Not completely registered. Notice of abandonment has been received.
256	London Exchange Advance Fund and Life Association.	Life and Loan	30 March 1852	17 Sept. 1852	10,000	10 – –	3,680 –	not stated	none	- - -	- - -	- - Has made no return since complete registration.

257	[illegible] Life Assurance Company.	Life	31 May 1852	22 Sept. 1852	- - 10,000 *l.* subsequently altered to 100,000 *l.*	1 - -	3,596 -	- not stated -	none	- - -	- - -	Still existing.
[illegible]	[illegible]	[illegible]	7 April 1852	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	- - No step taken since provisional registration.
259	English and Foreign Life Assurance Consolidated Annuity, Endowment, and Mortgagors' Protection Society.	Life - - -	28 April 1852	10 Nov. 1852	250,000	5 - -	67,625 -	- not stated -	none	- - -	- - -	Still existing.
260	Bankruptcy Mutual Assurance Society.	- - Assuring a certain sum of Money to its Members in case of Bankruptcy.	3 May 1852	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	Not yet completely registered.
261	[illegible] Assurance Company.	Life - - -	5 May 1852	11 Sept. 1852	1,000,000	2 - -	171,778 -	- not stated -	none	- - -	- - -	Still existing.
262	Safeguard Life Assurance Company.	Life - - -	7 May 1852	- - -	50,000	1 - -	- - -	- - -	-	- - -	- - -	Not yet completely registered.
263	Surrey Mutual Life Insurance Society.	Life, Mutual -	22 May 1852	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	- - No step taken after provisional registration.
264	Surrey Mutual Fire Insurance Society.	Fire, Mutual -	22 May 1852	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	- - No step taken after provisional registration.
265	[illegible] Company.	Life - - -	29 May 1852	15 Nov. 1852	100,000	5 - -	31,875 -	- not stated -	none	- - -	- - -	Still existing.
266	Sun Mutual Assurance Association.	Marine, Mutual -	1 June 1852	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	- - Not yet completely registered; deed perused.
267	[illegible] Company.	- - Life, Fire, Marine, and Guarantee.	7 June 1852	4 Oct. 1852	500,000	10 - -	252,000 -	- not stated -	none	- - -	- - -	- - Has made no return since complete registration.
268	[illegible] Life Assurance Company.	Life and Guarantee.	10 June 1852	- - -	50,000	10 - -	- - -	- - -	-	- - -	- - -	- - Deed perused; not yet completely registered.
[illegible]	Adamant Life and Fire Assurance Company.	Life and Fire -	17 June 1852	- - -	100,000	1 - -	- - -	- - -	-	- - -	- - -	Not yet completely registered.
[illegible]	[illegible] surance Company, and Universal Provident Fund.	Life - - -	29 June 1852	- - -	250,000	1 - -	- - -	- - -	-	- - -	- - -	Not yet completely registered.
271	Shipowners' and Master Mariners' Protection and Insurance Company.	Marine - -	7 July 1852	- - -	5,000	2 10 -	- - -	- - -	-	- - -	- - -	Not yet completely registered.
272	Standard Rent Guarantee, Loan, and Investment Company.	- - Guaranteeing payment of Rents, &c.	15 July 1852	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	Not yet completely registered.
273	West Kent Insurance Company	Life and Fire -	28 July 1852	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	Not yet completely registered.
[illegible]	[illegible] nuity and Life Assurance Company.	Life -	21 Aug. 1852	8 Feb. 1853	50,000	10 - -	12,700 -	- not stated -	none	- - -	- - -	Still existing.
275	Æsculapian Medical Attendance and General Life Assurance Association.	Life - - -	23 Aug. 1852	- - -	- - -	- - -	- - -	- - -	-	- - -	- - -	Not yet completely registered.
[illegible]	Pecuniary Aid and Life Assurance Society.	Life and Loan -	26 Aug. 1852	4 Dec. 1852	10,000	1 - -	3,100 -	- not stated -	none	- - -	- - -	- - Has made no return since complete registration.

(*continued*)

RETURN of all Insurance Companies Provisionally Registered and Completely Registered, under the Acts of the 7 & 8 Vict. c. 110, and 10 and 11 Vict. c. 78—*continued.*

No.	NAME of COMPANY.	Nature of Insurance.	Date of Provisional Registration.	Date of Complete Registration.	Amount of Capital.	Amount of each Share.	Amount Subscribed for up to last Return.	Amount Paid up as stated in Company's Accounts.	Accounts Registered.			GENERAL REMARKS.
									Number Registered.	Dates over which they extend. From	Dates over which they extend. To	
					£.	£. s. d.	£. s.	£. s.				
277	British and Continental Guarantee and Indisputable Life Policy Company.	Life and Loan -	28 Aug. 1852	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	Not yet completely registered.
278	Manchester and London Life Assurance and Loan Association.	Life and Loan -	16 Sept. 1852	- - -	500,000	20 – –	- - -	- - -	–	- - -	- - -	- - Deed of settlement perused; not yet completely registered.
279	European Alliance Full Pay Mutual Insurance Company.	- - For insuring to Government Officers, Soldiers and Sailors, such a sum in addition to their Pension, as will raise it to the ratio of Full Pay.	21 Sept. 1852	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	Not yet completely registered.
280	Universal Provident Life Association.	Life - - -	28 Sept. 1852	23 April 1853	50,000	5 – –	14,250 –	not stated -	none	- - -	- - -	Completely registered in 1853.
281	Lion of England Assurance Company.	Life - - -	6 Oct. 1852	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	Not yet completely registered.
282	English and Irish Church and University Assurance Company.	Life and Guarantee	8 Oct. 1852	- - -	100,000	5 – –	- - -	- - -	–	- - -	- - -	- - Deed presented for perusal; not yet completely registered.
283	Contract Guarantee Company -	- - Guarantee of due performance of Contracts.	15 Oct. 1852	- - -	250,000	10 – –	- - -	- - -	–	- - -	- - -	Not yet completely registered.
284	Caxton Life, Fire, Loan Annuity, and Guarantee Society.	- - Life, Fire, Loan, and Guarantee.	19 Oct. 1852	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	Not yet completely registered.
285	Emperor Life Assurance Society.	Life - - -	20 Oct. 1852	15 Mar. 1853	10,000	5 – –	4,200 –	not stated -	none	- - -	- - -	Completely registered in 1853.
286	Lancashire Rent Guarantee Company.	Guarantee - -	30 Oct. 1852	16 Mar. 1853	100,000	10 – –	39,100 –	not stated -	none	- - -	- - -	Completely registered in 1853.
287	Live Stock Insurance Company	Cattle - - -	2 Nov. 1852	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	Not yet completely registered.
288	Ark Life Assurance Society -	Life - - -	5 Nov. 1852	1 Jan. 1853	- nil -	- - -	- - -	- - -	–	- - -	- - -	Completely registered in 1853.
289	Anglo-Australian and Gold Diggers' Mutual Life Assurance Company.	- - Life, Loan, and Guarantee.	6 Nov. 1852	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	Not yet completely registered.
290	People's Provident Assurance Society.	Life - - -	8 Nov. 1852	16 April 1853	100,000	2 10 –	25,225 –	not stated -	none	- - -	- - -	Completely registered in 1853.
291	Marriage Portion Assurance Society.	- - Assuring sum of Money to be paid on Marriage of the Assured.	13 Nov. 1852	- - -	- - -	- - -	- - -	- - -	–	- - -	- - -	Not yet completely registered.
292	Beacon Life and Fire Assurance Company.	Life and Fire -	19 Nov. 1852	16 Mar. 1853	150,000	10 – –	39,550 –	not stated -	none	- - -	- - -	Completely registered in 1853.

293	General Live Stock Insurance Company.	Cattle	8 Dec. 1852								Not yet completely registered.
294	Enterprise A. 1. Insurance Association.	Marine, Mutual	15 Dec. 1852								Not yet completely registered.
295	Achilles Insurance Company.	Life, Fire, and Guarantee.	17 Dec. 1852	20 April 1853	100,000	10 – –	26,950 –	not stated	none		Completely registered in 1853.
296	British Protector Mutual Life Assurance Company.	Life	29 Dec. 1852		100,000	10 – –					Not yet completely registered.
297	Protector Endowment Loan and Annuity Company.	Life	8 Jan. 1853	29 Mar. 1853	100,000	10 – –	40,250 –	not stated	none		Completely registered in 1853.
298	Hero Life and General Assurance Company.	Life	11 Jan. 1853								Not yet completely registered.
299	Landed Advance Fund and Life Assurance Society.	Life and Loan	14 Jan. 1853	10 Feb. 1853	10,000	1 – –	3,100 –	not stated	none		Completely registered in 1853.
300	British Alliance Life, Fire, and Cattle Assurance Company.	Life, Fire, Cattle and Guarantee	20 Jan. 1853								Not yet completely registered.
301	Hercules Fire and Life Assurance Company.	Life and Fire	22 Jan. 1853								Not yet completely registered.
302	Australian and General Consignment and Underwriting Association.	Marine and Commission Business	28 Jan. 1853								Not yet completely registered.
303	Official and General Life Assurance Society.	Life	12 Feb. 1853		10,000	1 – –					Deed of settlement perused, but not yet completely registered.
304	County of Southampton Investment and Loan and Fire and Life Insurance Company.	Life, Fire, Loan, and Guarantee	26 Feb. 1853								Not yet completely registered.
305	Realm Assurance Society.	Life, Fire, and against Loss by Passengers at Sea.	28 Feb. 1853								Not yet completely registered.
306	Champion Assurance Company.	Life, Fire, and Guarantee.	9 April 1853								Not yet completely registered.
307	Eclipse Life and Fire Assurance Company.	Life and Fire	23 April 1853								Not yet completely registered.
308	Home Counties and General Life Assurance Company.	Life	25 April 1853								Deed of settlement presented for perusal; but not yet completely registered.
309	Eastern Marine Insurance Company.	Marine	25 April 1853								Not yet completely registered.
310	Amazon Life Assurance and Loan Company.	Life and Loan	26 April 1853								Not yet completely registered.
311	Aberystwith Mutual Ship Insurance Society	Mutual Marine	30 April 1853								Not yet completely registered.

No special statement is required by the Act to be registered of the amount of capital taken by shareholders after complete registration. The amounts above stated under that head are taken with as much accuracy as possible from the several returns of changes in the lists of shareholders made by the companies; but as these are often confused, and sometimes inaccurate, the perfect correctness of that part of the above Return cannot be absolutely vouched for.

The same remark applies to the amount *paid up*, which is taken from the several accounts registered by the companies.

All companies are stated to be still existing which have made any Return under the Act during the current year 1853.

18 May 1853.

Frs. Whitmarsh, Reg. J. S. C.

Appendix No. 5.

Appendix, No. 5.

PAPERS furnished by *Thomas Rowe Edmonds*, Esq.

TABLE showing the Decrement per Cent. through DEATH, in successive Periods of FIVE Years of Age, experienced in the AMICABLE and EQUITABLE Life Assurance Societies, among those whose Membership exceeded FIVE Years and FIFTEEN Years respectively; with which is compared the MORTALITY at the same Ages contained in the SWEDISH and the CARLISLE Tables.

QUINQUENNIAL INTERVAL of AGE.	Amicable Membership, exceeding Five Years.	Equitable Membership, exceeding Fifteen Years.	THEORETICAL TABLES.	
			SWEDISH, otherwise "Mean" Mortality.	CARLISLE, otherwise "Village" Mortality.
40 to 45	6·70	7·77	7·53	6·31
45 to 50	7·85	8·32	8·67	7·28
50 to 55	10·09	10·53	9·97	8·38
55 to 60	13·38	13·53	12·87	10·84
60 to 65	20·50	18·34	18·30	15·50
65 to 70	25·99	25·61	25·66	21·89
70 to 75	37·14	34·41	35·28	30·41
75 to 80	48·32	45·44	47·18	41·25
80 to 85	64·31	52·85	60·80	54·18
85 to 90	74·93	68·58	74·69	68·18
Deaths observed	1579	2238	—	—

TABLE showing in successive Decennial Periods from 1700 to 1850, the Average Annual Rate per cent. of BIRTHS, DEATHS, and INCREASE of the TOTAL FEMALE POPULATION of *England*.

TEN YEARS.	Births to 100 living.	Deaths to 100 living.	Excess of Births over Deaths.	Theoretical Annual Rate of increase of Population.	Observed Annual Rate of increase of Population.	Annual Marriages to 100 Females living.
1701 to 1710	3·78	3·17	·61	—	—	—
1711 to 1720	3·63	3·29	·34	—	—	—
1721 to 1730	3·79	3·58	·21	—	—	—
1731 to 1740	3·85	3·58	·27	—	—	—
1741 to 1750	3·88	3·22	·66	·72	—	—
1751 to 1760	3·80	2·88	·92	·80	—	—
1761 to 1770	3·76	2·83	·93	·88	- -	1·86
1771 to 1780	3·73	2·86	·87	·98	- -	1·79
1781 to 1790	3·63	2·58	1·05	1·09	- -	1·78
1791 to 1800	3·54	2·36	1·18	1·21	- -	1·69
1801 to 1810	3·43	2·06	1·37	1·34	1·32	1·69
1811 to 1820	3·37	1·85	1·52	1·49	1·51	1·60
1821 to 1830	3·45	1·95	1·50	1·49	1·49	1·59
1831 to 1840	3·40	2·05	1·35	1·34	1·33	1·57
1841 to 1850	3·38	2·16	1·22	1·21	1·21	1·57

Note.—The increase of population previous to the year 1800 has been calculated according to the law of increase observed in the 50 subsequent years. The baptisms and burials have been recorded continuously for every year subsequent to 1780, and for every tenth year antecedent to 1780. The burials recorded previous to the year 1820, with five per cent. added for omissions, have been treated as the true number of deaths. The contemporaneous additions made to the registered baptisms was 20 per cent., in order to obtain the true number of births.

Appendix, No. 6.

STATEMENT of VIEWS entertained by the undersigned Managers of LIFE ASSURANCE OFFICES in *Scotland*, with reference to the contemplated Amendment of the Law regarding Life Assurance Associations, now under consideration of a Select Committee of the House of Commons. Appendix, No. 6.

THE undersigned have anxiously considered whether any, and, if so, what suggestions should be made, for the amendment of the Act 7 & 8 Victoria, cap. 110 (5th September 1844), with a view to the better regulation of Life Assurance Offices.

That some alterations of the present law are necessary is generally admitted; and the appointment of the Select Committee to inquire into the subject gives a hope that full information will be obtained, and a remedy applied. It seems most important maturely to consider what alterations may be best calculated to promote the end in view; and the undersigned deem it very desirable that, as Managers of Life Offices in Scotland, they should, if possible, concur in some general recommendations. They have no doubt of the possibility of such regulations being framed as will secure, at least to a very considerable extent, the objects aimed at: of checking, on the one hand, the evils which have been found to exist; and of guarding, on the other, against any unnecessary restrictions being placed upon existing Offices, or impediments thrown in the way of the establishment of new Associations founded on safe and correct principles.

The evils, for which a remedy is sought, consist not so much in the adoption of insufficient rates, or the fraudulent misappropriation of the premiums received; they have rather arisen from the recklessness with which new offices have been instituted, and the unwarrantable expense incurred in forcing them into notice, and in seeking to procure business.

The Act of 1844, which, it was hoped, would have prevented these evils, seems to have failed in its object, partly from its not having enforced the giving in of sufficiently full and distinct returns; and partly, perhaps chiefly, because the powers and duties of the registrar have been practically limited to recording any returns made to him, without his being enabled to test their accuracy or completeness, or to apply any remedy in the event of their showing the affairs of the Company to be in an unsafe or even insolvent condition.

It appears to the undersigned, that while a more complete system of returns is absolutely necessary, and may go far to operate as a check upon fraudulent or imprudent schemes, by affording a means of discovering the true state of their affairs, some further provision must be made, on behalf of the public, for the exposure and prevention of such schemes. It will not be enough to leave this to the interference of private persons, to whom it must always be a delicate and invidious task, as well as a dangerous one. Still less is the ordinary check of public opinion sufficient on a subject of this kind, which, besides its natural intricacy, is liable to be further obscured by bold and ingenious misrepresentations in matters as to which the great mass of the public have little information, and in regard to which they will scarcely take any interest in the warnings that may be addressed to them.

Some additional powers must therefore be given, to ensure that the returns are regularly and correctly made, according to the prescribed forms; that they truly represent the actual state of the affairs of the office; and that they exhibit sufficient evidence of its solvency. But, at the same time, it is to be feared that were the registrar, or any other Government officer, to receive too inquisitorial powers of examination and control, it might interfere unnecessarily and hurtfully with the free scope and responsibility of private management, and might tend to give false impressions of the degree of security which can be afforded by such control. An opinion has been expressed, that nothing short of the appointment of a Government officer, with full power to require each office to furnish minute details of its business, and calculations of its liabilities, made upon prescribed data and according to a fixed rule, will meet the requirements of the case. The undersigned, however, are not prepared to recommend this; and are, besides, of opinion that it is very important not to go beyond what will be generally acquiesced in as necessary and desirable, and that the returns should, as far as possible, be confined to a statement of facts, unencumbered by problematical calculations, which must necessarily be founded upon data regarding which there exist considerable diversities of opinion.

Many recent companies have been established, uniting with the business of Life Assurance various new objects, as to which there are no ascertained data for estimating the risks undertaken. Among such may be mentioned the guarantee of fidelity, and of rents and titles, building schemes, provisions for sickness, and the taking of small loans on deposit. To such combinations the undersigned are strongly opposed; and they would suggest that powers be given to the registrar to refuse to issue certificates for offices that propose to unite any such schemes with the ordinary business of assuring lives.

Appendix, No. 6.

Holding these general views, the following suggestions are respectfully offered towards the amendment of the existing law:—

I. At the establishment of every new association, there ought to be lodged with the registrar, in addition to the deed of settlement, as at present provided, a copy of the principal prospectus issued by the office, with the chief tables of rates, and a distinct statement of the data on which these have been calculated; all certified by not fewer than two of the directors, and by one of the principal officers of the association.

II. There ought to be lodged annually, instead of the balance-sheets hitherto required, accounts, to be prepared in certain forms, to be appended to the Act, which shall exhibit fully and distinctly the following particulars, viz.:—

(1.) The amount of the proprietors' subscribed capital (where such exists), and the amount which has been paid, the number and amount of shares, and a list of the shareholders.

(2.) The amount of the life assurance, or premium fund, distinguishing the sums set aside to provide for bonuses, if any, or reserved as a guarantee fund.

(3.) The amount of the total funds invested, and the mode of their investment.

(4.) The amount of all debts and outstanding claims.

(5.) The number and amount of the whole existing life policies, and of the annual premiums payable under the same, specifying those issued during the year for which the return is made.

(6.) The amount of all bonuses, if any, previously declared upon these policies, with the dates at which such declarations have been made.

(7.) An abstract of the whole receipts and disbursements for the year, classified under the various heads of receipt and expenditure.

(8.) Similar particulars to those above specified, for the annuity or any other branch of business which may be carried on under the sanction of the registrar in conjunction with life assurance.

III. At each period of investigation and ascertainment of profits, there ought to be lodged a certified copy of the states or accounts submitted to the partners or members of the association in connexion with such investigation, which should exhibit distinctly the amount of the subsisting assurances, and of the premiums receivable on account of them, classified according to age, and also the tables of mortality, the rate of interest, and the other data on which the investigation has been made.

IV. At the establishment of an office, there ought to be raised, and permanently invested in Government securities, in such manner as to be beyond the control of the association, the sum of 10,000 *l.*

V. No dividend or interest ought to be allowed to be paid to the partners of a company, nor any bonus to be allocated to policy-holders, until an investigation and calculation of profits have been made, not sooner than at the end of five years from the formation of the society.

VI. It ought to be the duty of the registrar, in every instance where the regulations have not been fully and properly complied with, according to the terms and spirit of the law, and also, in every instance, where the returns exhibit any features of a questionable character, to report the same specially to the Board of Trade, who should have power to apply some efficient remedy.

VII. A copy of the returns made to the registrar ought to be annually laid before Parliament.

It is believed that the regulations above suggested would secure to a great extent the object desired, without affording reasonable ground of complaint in any quarter. It will be seen that they resolve themselves into three branches, on each of which a single observation may be made:

1. It is proposed to enforce more detailed returns, so as to carry out the real object of the existing law. The Act of 1844 evidently contemplated that almost the whole of the above particulars should be supplied for the information of the public; but as it appears that there is no remedy under that Act for evasive or incomplete returns, it seems necessary now to particularise more in detail the information sought for.

2. It is proposed to demand the permanent investment of a sum of 10,000 *l.* on the formation of all new associations, and to prevent the division of supposed profits until it shall be ascertained, after a proper interval, that such profits have been made. The undersigned, in fixing on a sum to be invested in the way proposed, do not profess to aim so much at securing the permanent stability of the association as at affording a test of the *bona fides* and respectability of the parties by whom it is established. They believe the sum proposed will be sufficient for this purpose, as no mere adventurers could comply with the regulation; and it is probable that where parties have even a sum like this at stake, over and above what other funds they may have raised or expended in establishing an office, they will be somewhat careful as to its prudent management. It will afford also no inconsiderable security to the policy holders in case of the scheme being abandoned or mismanaged in its earlier years. To require a much larger amount appears unnecessary. If

the

the business goes on for a few years, any sum that can be reasonably required at the outset must eventually bear so small a proportion to the engagements, and to the other invested funds of the concern, as to afford little additional security. At same time, to require a large amount would probably operate as a complete bar to the formation of new institutions, and so create a monopoly in favour of existing offices; a result which the undersigned have no desire to promote.

3. It is proposed that certain limited powers of interference should be given to the Board of Trade upon the report of the registrar; and it is hoped that this may be effectual to accomplish the purpose in view; but, at all events, the experiment should be tried, and if further control should hereafter be found necessary, the more complete returns which shall have been obtained in the meantime will have furnished materials for further legislation. They may also have served to promote, amongst those interested in life assurance, more correct and healthy views as to what constitutes the true prosperity of a life office; and if the subject should require to be again dealt with by Parliament, many of the questions on which actuaries differ at present, and which now interpose a serious difficulty in the way of more minute regulations, may have been settled and set at rest.

John Mackenzie, Manager and for behoof of the Scottish Widows' Fund and Life Assurance Society.
Gilbt. L. Finlay, Manager of the Edinburgh Life Assurance Company.
George Ramsay, Manager of the Scottish Union Insurance Company.
Chas. F. Griffith, Man^r Scottish Provincial Ass^ce Company.
Robt. Christie, Manager of the Scottish Equitable Life Ass^ce Soc^y.
H. D. Dichie, for the Caled^n Ins^ce C^o.
Wm. Chalmers, for Northern Ass^ce C^o.
W. Smith, Manager, English and Scottish Law Life Ass^ce Assoc^n.
John M. M^Candlish, for the National Insurance Company of Scotland.

Edinburgh, 25 May 1853.

Appendix, No. 7.

PAPERS delivered in by Mr. *W. S. D. Pateman*.

ANCHOR LIFE ASSURANCE COMPANY.

BALANCE SHEET of the ANCHOR LIFE ASSURANCE COMPANY, from 1 October 1849 to 30 September 1850.

RECEIPTS.	£. s. d.	EXPENDITURE.	£. s. d.
Total receipts, as per Cash Book - - -	65,799 10 11	By total expenditure and investment, as per Cash Book - - - -	63,154 - 4
		Balance at bankers' -	2,645 10 7
£.	65,799 10 11	£.	65,799 10 11
To Liabilities:		To Assets:	
Liabilities - - -	109,715 15 1	To assets, including balance at Bank - -	109,715 15 7
£.	109,715 15 1	£.	109,715 15 7

Appendix, No. 7.

EQUITABLE SOCIETY. - - - - - -

GENERAL CASH ACCOUNT of the EQUITABLE SOCIETY - - -

Dr.

	Number of Policies.	Sums Assured.	Cash Received.
		£.	£. s. d.
Received for assurances on single lives -	112	140,260	5,123 2 6
On the longest of two lives -	3	1,900	31 18 6
Annuities after an assigned time -	4	£. 292 Ann.	146 10 6
Survivorship annuities - -	2	£. 100 Ann.	146 17 –
Amount of new assurances - - -	121	142,160	5,448 8 6
		£. 392 Annuities.	
Entrance money - - -	- -	- - - -	371 3 6
Policy money - - - -	- -	- - - -	305 7 6
Extra premiums for sea risk and residence out Europe - -	- -	- - - -	705 6 2
Commuted premiums - -	- -	- - - -	2,334 14 –
Annual premiums on old assurances - - - - -	- -	- - - -	218,254 5 6
Forfeits - - - - -	- -	- - - -	120 – –
Dividends on stock - - -	- -	- - - -	124,200 – –
Interest on mortgages - -	- -	- - - -	136,833 6 7
Interest on Exchequer Bills -	- -	- - - -	910 – –
			489,482 11 9
To cash repaid which had been lent on mortgage - - - - -			17,000 – –
To the produce of 40,000 *l.* Exchequer Bills sold - - - - -			41,887 10 –
To the produce of 280,000 *l.* stock sold out of the 3 per Cent. Consolidated Bank Annuities - - - - - - - - - - - -			273,950 – –
To the produce of 400,000 *l.* stock sold out of the 3 per Cent. Reduced Bank Annuities - - - - - - - - - - - -			394,143 15 –
To a further dividend from the estate of Messrs. Boldero & Co. - - -			80 11 4
To balance brought from the 31st December 1851 - - - - -			13,661 15 3
Stock in the Funds :			
£. 1,895,000 in the 3 per Cent. Consols £. 1,960,000 in the 3 per Cent. Reduced -		£. 3,855,000 - - 3 per Cents.	
Cash on mortgage (including 1,000 *l.* secured by the assignment of a claim for that amount by a son of one of the mortgagors) - - -		£. s. d. - 4,070,444 18 8	
		£.	1,230,206 3 4

Audited by *William Dacres Adams.*
Frederick Cowper.
David Martin.
P. H. Le Breton.

25 April 1853.

Appendix, No. 7.

- - - - - - - EQUITABLE SOCIETY.

- - - - - - - for the Year ending on the 31st December 1852.

Cr.

	Lives.	Policies.	Cash Paid.	
			£. s. d.	£. s. d.
By claims paid on policies included within the privileged number of 5,000 - - -	O.S. 81 N.S. 82 —163	104 99 —203	311,433 12 –	
By claims paid on policies not included in the above number -	8	12	16,128 19 –	
	171	215		327,562 11 –
By additions to claims - - - - - - - -			- - -	362,619 19 –
				690,182 10 –
By annuities to claimants - - - - - - -			1,482 3 –	
By ditto paid pursuant to orders of the General Court -			100 – –	
				1,582 3 –
By Income Tax - on dividends - - £. 3,622 10 – on interest of mortgages - 3,990 18 10 on interest of Exchequer Bills - - 26 10 10			- - -	7,639 19 8
By returns of premiums and forfeits - - - -			- - -	681 – 6
By sundry Disbursements, viz:				
General expenses - - - - - - -			666 6 3	
Rates and taxes - - - - - - -			275 3 6	
Stamps - - - - - - - - -			773 3 6	
Stationery for the year 1851 - - - -			97 13 5	
Painter's and glazier's work ditto, including painting outside of the Society's house - -			89 14 7	
Law charges (ordinary) for the year 1851 - -			174 11 7	
„ ditto - on mortgage account - - -			155 8 5	
Printing for 1851 - - - - - -			42 14 6	
Assessor of the City of London for income tax on salaries - - - - - - - -			142 18 4	
Directors' attendances for the year ending 29th April 1852 - - £. 2,000 – –				
Less Income Tax - - - 58 6 8				
			1,941 13 4	
Auditors for the year 1852 - - - -			131 5 –	
Coal - - - - - - - - -			35 2 –	
Ground rent - - - - - - - -			135 18 4	
Repair of hot-water apparatus in strong rooms			65 – –	
Upholstery and upholsterer's work - - -			118 14 10	
Salaries - - - - - - - -			3,057 10 –	
				7,902 17 7
				707,988 10 9
	Lives.	Policies.		
By cash paid for surrendered policies - Included in 5,000 O.S. 5 N.S. 26	31	37		
Not included -	4	4	- - -	22,208 13 –
	35	41		
By cash paid for 14,023 *l.* additions surrendered - -			- - -	10,173 14 6
By cash laid out on mortgage - - - - -			- - -	455,270 – –
By balance remaining on the 31st December 1852 - -			- - -	34,565 5 1
			£.	1,230,206 3 4

Arthur Morgan,
Actuary.

UNIVERSITY LIFE ASSURANCE SOCIETY. - - - - -

Dr. GENERAL CASH ACCOUNT of the UNIVERSITY LIFE

	No. of Policies.	Sum Assured.	Cash Received.
		£. s. d.	£. s. d.
Received for assurances on single lives - - - - -	54	57,872 - -	5,992 6 1
Ditto - - - - - joint lives - - - - -	1	1,400 - -	47 2 8
	55	59,272 - -	6,039 8 9
Renewal premiums on 1,398,647 *l.* 3 *s.* 1 *d.* assurances - -	- - -	45,421 14 3	
Extra premiums for sea risk, residence out of Europe, &c. - -	- - -	57 10 -	
			45,479 4 3
			51,518 13 -
Interest on loans, mortgages, Long Annuity investment, &c. -	- - -	13,464 13 3	
Dividends on stock, &c. - - - - - - - - - -	- - -	10,324 15 5	
		23,789 8 8	
Amount received for interest on Exchequer Bills - - -	- - -	4 11 5	
N.B.—Income Tax allowed and not included in above Receipts, viz.:			23,794 - 1
On loans and mortgages - - - - £. 288 16 11			
On annuities and dividends - - - 517 11 2			
£. 806 8 1			
Proportion of Long Annuities paid off:	£. s. d.		
Consolidated Long Annuities to Jan. 1860 - - A account	1,762 16 6		
Ditto - - ditto - - ditto - - B account	924 4 4		
Ditto - - ditto - - ditto - - C account	4,046 3 5		
Annuities for Terms of Years to Oct. 1859 - - A account	488 18 8		
Ditto - - ditto - - Jan. 1860 - - B account	2,107 12 7		
		9,329 15 6	
Anglo-Greek Bonds:			
Amount of Bonds drawn and paid off - - - A account	440 - -		
Ditto - - - ditto - - - - - B account	240 - -		
Amount of surplus dividend received towards liquidation of Premium - - - - - - A account	85 - 7		
Ditto - - ditto - - ditto - - - B account	81 6 -		
		846 6 7	
New Five Per Cent. Stock:			
Amount of surplus dividend received towards liquidation of price paid above par - - - - - - - - - -	- - -	15 2 11	
			10,191 5 -
Amount of bonus received on Reversionary Interest Co. shares -	- - -	- - -	70 10 -
Sinking Fund for Redemption of Rent Charges for Terms of Years:			
On account of lease at Bagnigge Wells - - - - -	- - -	51 1 3	
Ditto - - - - Arbor-square - - - - -	- - -	70 4 10	
			121 6 1
Amount received for Stock and Exchequer Bills sold:			
10,000 *l.* Three per cent. Consolidated Annuities - - -	- - -	9,737 10 -	
3,300 *l.* Exchequer Bills - - - - - - - -	3,453 14 3		
Deduct gain on Exchequer Bills carried to Dividend Account -	4 11 5		
		3,449 2 10	
			13,186 12 10
Amount of loans on mortgage, &c. paid off - - - - -	- - -	5,460 - -	
Ditto of tithe loans paid off - - - - - - -	- - -	1,537 16 10	
			6,997 16 10
Ditto received on account of fines - - - - - -	- - -	6 7 -	
Ditto of discount on a claim - - - - - - -	- - -	8 2 11	
Ditto profit and loss - - - - - - - - -	- - -	5 15 -	
			20 4 11
Ditto received for policy stamps - - - - - -	- - -	- - -	124 12 6
Ditto standing to the credit of a mortgagor, after paying interest due - - - - - - - - -	- - -	- - -	24 11 11
Balances, 1 May 1850. Messrs. Drummonds - - - - - -	- - -	7,027 7 5	
Secretary - - - - - - - - -	- - -	95 2 7	
Do., Bill - - - - - - - - -	- - -	13 18 10	
			7,136 8 10
		£.	113,186 2 -

	£. s. d.
N.B.—Total Amount invested in Funded Property, &c. - - - - - -	307,034 17 7
Ditto Mortgages, Loans, Leasehold Rent Charges, &c. -	322,329 8 3
£.	629,364 5 10

And the Income thereon is estimated at 24,563*l.*

- - - - - - UNIVERSITY LIFE ASSURANCE SOCIETY.

ASSURANCE SOCIETY for the Year ending 1 May 1851.

Cr

	Lives.	No. of Policies.	£. s. d.	£. s. d.
By amount of claims paid on account of 1849–1850 -	7	17	18,100 – –	
Ditto - - - ditto - - - 1850–1851 -	10	13	13,850 – –	
	17	30	31,950 – –	
Additions to claims on account of 1849–1850 - - -		- - -	6,195 – –	
Ditto - - - ditto - - 1850–1851 - - -		- - -	3,309 10 –	
			41,454 10 –	
Amount paid for cancelling policies amounting to 900 *l.* -		- - -	90 11 10	
Ditto - ditto - - - additions on policies -		- - -	4,041 13 3	
				45,586 15 1
Return of premium on account of difference in age - - -		- - -	- - -	23 16 8
Establishment Account:				
Paid rent of Society's house, No. 24, one year to Lady-day 1851 - - - - - - - - - - -		- - -	340 1 –	
Paid rent of Society's house, No. 25, one year to Lady-day 1851 - - - - - - - - - - -		- - -	142 9 10	
Sundry disbursements for taxes, receipt stamps, advertisements, &c., to April 1851 - - - - - -		- - -	356 12 3	
Stationery, printing, account books, &c. - - - -		- - -	145 2 –	
Directors - - - - - - - - - - -		- - -	1,200 – –	
Resident director - - - - - - - - - -		- - -	800 – –	
Auditors - - - - - - - - - - -		- - -	50 – –	
Medical fees - - - - - - - - - -		- - -	74 11 –	
Corresponding directors - - - - - - - -		- - -	157 – 5	
Secretary and clerks - - - - - - - - -		- - -	1,114 5 11	
Annuity to Mr. Draper's widow - - - - - - -		- - -	40 – –	
Messenger, coals, candles, &c. - - - - - - -		- - -	170 – –	
			4,590 2 5	
Paid sundry bills for repairs, &c. - - - - - -		- - -	44 15 3	
Paid solicitor's bills - - - - - - - - -		- - -	36 7 8	
				4,671 5 4
Paid gratuity at quinquennial valuation 1850, Mr. Willich -		- - -	200 – –	
Ditto - - - - - - ditto - - - - - - Clerks -		- - -	115 – –	
Paid fee Mr. Griffith Davies - - - - - - -		- - -	36 15 –	
				351 15 –
Amount invested in Government Securities:				
8,000 *l.* Three per Cent. Consolidated Annuities - - -		- - -	7,748 15 –	
7,000 *l.* 3¼ per Cent. Annuities - - - - - - -		- - -	6,810 – –	
14,000 *l.* Exchequer Bills - - - - - - - -		- - -	14,528 19 4	
				29,087 14 4
Amount lent on mortgage and other securities - - -		- - -	- - -	12,352 – 9
Amount paid on account of interest and bonus on capital 30,000 *l.* - - - - - - - - - - -		- - -	- - -	8,773 15 –
Amount paid of annuities granted in lieu of additions to policies		- - -	- - -	809 7 6
Amount paid for purchase of policy stamps - - - -		- - -	- - -	130 – –
Amount of Premium paid on account of a mortgagor - -		- - -	- - -	7 13 7
Balances, 1 May 1851. Messrs. Drummonds - - - - - - -		- - -	11,177 19 –	
Secretary - - - - - - - - -		- - -	169 7 7	
Do., Bills - - - - - - - -		- - -	44 12 2	
				11,391 18 9
			£.	113,186 2 –

Examined and Approved, 31 May 1851.

(signed) { *James Adey Ogle*, M.D.
George Pryme.

Appendix, No. 7.

FUNDED and other PROPERTY of the UNIVERSITY LIFE ASSURANCE SOCIETY.

DESCRIPTION OF STOCK, &c.	Amount of Stock. £.	s.	d.	Cost of Stock, &c. £.	s.	d.	Estimated Income. £.	s.	d.
3¼ per Cent. Annuities (late 3½)	118,356	9	–	116,248	19	2	3,846	–	–
3 per Cent. Reduced Annuities	11,228	14	2	9,877	10	–	336	–	–
3 per Cent. Consols	8,000	–	–	7,748	15	–	240	–	–
New 5 per Cent. Annuities	2,852	10	–	3,174	10	8	127	–	–
East India Stock	1,500	–	–	3,803	7	6	152	–	–
Bank Stock	16,696	1	7	34,226	18	–	1,335	–	–
Anglo-Greek Bonds	24,840	–	–	26,749	15	10	1,085	–	–
	183,473	14	9	201,829	16	2	—		
Long Annuities per annum	13,023	6	–	90,676	2	1	*3,193	–	–
				292,505	18	3	—		
Exchequer Bills	14,000	–	–	14,528	19	4	319	–	–
				307,034	17	7	—		
Amount of mortgages, loans, leasehold rent charges, &c.	–	–	–	322,329	8	3	13,930	–	–
				629,364	5	10	—		
Balances in the hands of Messrs. Drummonds and the Secretary	–	–	–	11,391	18	9	—		
TOTAL on 1 May 1851 £.				640,756	4	7	24,563	–	–

* The difference between this amount and the total annuity received is carried to the redemption of the cost.

SEA, FIRE, LIFE, ASSURANCE SOCIETY.

SEA, FIRE, LIFE, ASSURANCE SOCIETY, connecting the Mining Interests of England and Wales.

Offices, 31, Cornhill, London.

EMPOWERED BY ACT OF PARLIAMENT.

CAPITAL, £. 100,000,

In Shares of Twenty Shillings each, to be paid in full on Allotment.

TRUSTEES:

Howel Gwyn, esq., M.P. for Penryn and Falmouth, 94, Pall Mall, and Baglan House, Glamorgan.
Edward Oxenford, esq., 26, Throgmorton-street, and Mecklenburgh-square.
W. Yates Peel, esq., Tamworth.
Frederick A. Peel, esq., Dosthill Lodge, Warwickshire.

DIRECTORS:

Howel Gwyn, esq., M.P.

John Bennet, esq.
Thomas Bunting, esq.
Alexander Davis, esq.
John Kelland Durant, esq.
George Helmore, esq.
Sir William Ogilvie, bart.
Frederick A. Peel, esq.
W. Yates Peel, esq.
John Wreford, esq.

Augustus Collingridge, esq., Managing Director.

AUDITORS:

Henry Rogers, esq.
Henry Woods, esq.
Samuel Henry Ranger, esq.

MEDICAL REFEREES:

Physician.	*Surgeon.*
James Risdon Bennett, esq., M.D.	John Fisher Goude, esq., M.R.C.S.
24, Finsbury-place, North.	83, Cheapside.

BANKERS:

Messrs. Currie & Co., 29, Cornhill. | Commercial Bank of London, Lothbury.

SOLICITOR:

John Chapple, esq., 70, A, Aldermanbury.

MARINE DEPARTMENT:

Underwriter:

Mr. John Powis, Member of Lloyd's.

LIFE DEPARTMENT.	FIRE DEPARTMENT.
Actuary:	*Superintendent:*
Mr. Alfred Burt.	Mr. John Nelson.

SURVEYOR:

George Moody Longmore, esq.

DISTINGUISHING FEATURES.

1. Exemption of shareholders from all liability.
2. The right of transfer at will.
3. Periodical division of profits.
4. Five per cent. interest guaranteed (irrespective of further dividends) upon the paid-up capital.
5. Yearly audits of accounts by auditors exclusively chosen by the proprietors.

The capital of this company, in lieu of being fixed at some purely nominal amount, having no reference, and bearing no relation to the proportion paid up, consists (with powers of extension reserved to the proprietors under the 16th clause of the deed of settlement, at a general meeting) of 100,000 *l.*, divided into 1 *l.* shares, all paid, transferable at the pleasure of the holder, and bearing a guaranteed interest of five per cent. per annum, receivable half-yearly, irrespective of further dividends accruing from the sources of profit opened by the proprietary branches of the business. By this arrangement, while the shareholder is exempted from liability to indefinite contributions at uncertain intervals, the assured is secured the corresponding benefit of ascertained available funds, in no way contingent on the necessarily doubtful nature of "calls," which experience has always shown, are least likely to be responded to when most required.

FIRE DEPARTMENT.

The rates on fire risks have been based on statistical calculations, prepared with the greatest skill and accuracy, which warrant the directors in making such alterations with respect to houses brought within scope of the enactments of the Building Act (7 & 8 Vict. c. 84), for which no office hitherto in existence has made the slightest abatement in return for the diminution of hazard, as afford perfect security to the public at a considerable reduction in point of cost to the assured.

CLASS I. Annual Premium of (not exceeding) 1 *s.* per Cent.	CLASS II. Annual Premium of (not exceeding) 1 *s.* 3 *d.* per Cent.	CLASS III. Annual Premium of (not exceeding) 2 *s.* per Cent.
All buildings erected in conformity with the Building Act 7 & 8 Vict. c. 84.	All household goods, merchandise, and stock, not hazardous, in brick or stone buildings, as described in Class I., and in which no hazardous trades are carried on, or hazardous goods deposited.	Buildings of brick and stone covered with slate, tiles, or metal, wherein no hazardous trades are carried on, nor hazardous goods deposited, not being built in conformity with the Building Act 7 & 8 Vict. c. 84, but otherwise approved upon survey.

Extra hazards altogether excluded, and returns of profits to the assured made every fifth year.

Appendix, No. 7.

Life Department.

Assurance on lives, endowments, and reversions, and public guarantee, united with life assurance, established upon the principle of mutual life assurance, the whole of the profits being divisible amongst the assured.

All life policies indisputable, and granted free of stamp duty to the assured.

The assured protected by a guarantee fund of 100,000 *l.*

The Life branch of this society is established by persons connected with that large and influential body of individuals, the mining interests of England and Wales, a class of upwards of 2,000,000, and whose annual returns of capital approximate to 40,000,000 *l.* sterling.

As life assurance has been extended, the various classes of the community have embraced the advantages of establishments of their own, adapted to the peculiar circumstances of those portions of society with which they are respectively connected.

It is, however, remarkable, that while in the metropolis alone the life assurance companies, of all classes and descriptions, exceed 100 in number, with engagements computed at upwards of 115 millions of pounds sterling, those companies do not comprise one emanating from the mining classes, or embracing those interests which have done more than any other to develop the resources and promote the extension of the commerce of the country. So long, then, as this important and influential class of the community possesses no assurance association immediately identified with its peculiar interests, it is manifest that an extensive system of life assurance remains yet to be accomplished.

The individuals directly interested in or connected with mining property in this kingdom are more numerous and not less wealthy than the members of the clerical, medical, and legal professions, now represented by not fewer than nine assurance companies; and it is calculated that the proprietors, agents, and those immediately or indirectly interested, represent an amount of population and of fixed property nearly equal to that of all the other classes of the kingdom having representative assurance institutions.

This extensive and wealthy interest is therefore unquestionably adequate to sustain a prosperous assurance society, adapted for securing the advantages of life assurance to the numerous individuals of which it is composed; and for this purpose the life branch of "The Sea, Fire, Life Assurance Society" has been established, not only for the immediate benefit of these interests, but for those of all other classes, whether in the medical, legal, or clerical professions, the army, navy, or any other station of life, on equal terms, and will afford the utmost advantage that can be derived from life assurance.

Mutual assurance is the best mode by which this object can be attained; it is distinguished from the proprietary principle in distributing the surplus profit rateably and equally among the assured only; whilst in proprietary companies the shareholders are a permanent body, among whom a considerable portion of the profit is divided.

The experience of nearly a century has demonstrated that mutual societies are not only perfectly safe, but, when prudently managed, yield large profits to policy holders, without the aid of a permanent subscribed capital.

Mr. de Morgan, one of the most competent authorities on life assurance, says:—"A mutual society is one in which the members stand equally related to each other, and constitute the company themselves. In such a company no capital is, generally speaking, raised at the outset, except, perhaps, a small sum for necessary expenses at starting." And again, "They have no capital except what arises from their own accumulations, and each member is a guarantee to the rest for the fulfilment of all engagements. The risk, however, even at the commencement, is not great in character, and is small in amount; and the quantity of risk diminishes so much faster than the amount increases, that it may be safely said there is nothing in the commercial world approaching, even remotely, to the security of a well-established and prudently-managed mutual assurance society.

As, however, there may be a portion of the public not yet fully convinced of the complete security afforded by purely mutual life companies, the life assurance department of this society has been formed upon a plan which unites all the advantages of a purely mutual with the security of a proprietary company, giving to the assured all the surplus premiums and the aid of an ample paid-up capital as a guarantee fund, to secure the prompt payment of any policies which may become early claims on the society.

All life policies indisputable.

The chief obstacle to the progress of life assurance is, that an error in a policy, which may have arisen from mistake, misapprehension, or unintentional neglect on the part of the assured, or of the office, has the effect of vitiating the policy.

One of the most important objects of this society is the removal of the risks which have hitherto attended the rights of policy holders, by insuring the certain payment of every life policy as it becomes a claim.

All questions as to age, health, habits, employment, residence, health of relatives, and other matters deserving of inquiry prior to the contract being granted, are held as finally settled when the assured receives his policy.

Every policy issued by the Life department of this society will be absolutely indisputable, and the fact of issuing the same shall be conclusive evidence of the validity of the policy, and the amount assured will be paid within three calendar months after proof of the death of the assured; and a clause has been inserted in the policy deed prohibiting the society from disputing any life policy which shall have been granted,—a condition which renders the

the policies of this society more than ordinarily valuable as family provisions, or as negotiable instruments of security in pecuniary or loan transactions.

THE CONSTITUTION OF THE SOCIETY.

The society is established by Act of Parliament.

The funds of the society are vested in trustees.

The affairs of the society are managed by a board of directors elected by the shareholders.

The accounts of the society are audited annually by not less than two auditors.

A general meeting of the members will be held annually, to receive the report on the affairs of the society.

The assured are protected by an ample paid-up capital.

The whole of the profits are divided amongst the assured.

At the end of December 1855, being five years, and afterwards annually, the assets of the Life Assurance department will be computed, the profits ascertained and apportioned, and a sufficient sum reserved to meet all the contingencies of succeeding years; the whole of the profits will be divided rateably among the members assured for the whole term of life, after payment of the second premium, which will entitle them to participate in proportion to the amount and number of the premiums paid, and such sum to be applied in reduction of the premium.

The business of the Life department will embrace,

Assurances on single lives, on joint lives, and on survivorships.

Lives not considered perfectly admissible on the ordinary terms assured at rates of premiums corresponding with the extra risk.

Assurances on the lives of persons about to proceed to foreign climates.

Separate tables framed for those who do not desire to participate in the profits.

Annuities for lives and limited terms, immediate and on survivorship.

Deferred annuities to commence at specified ages.

Tables to secure a deferred annuity of 10 *l.* and upwards during life.

Endowments of every description to be granted.

Premiums payable by annual, half-yearly, or quarterly payments; or by a single payment; or by payments of a certain number of years; or by an increasing or decreasing scale of premiums.

One-half of the premiums may remain unpaid at simple interest for the first seven years, and may be then paid off, or remain a debt upon the policy, at the option of the assured.

And all other sound and practicable provisions contingent on human life, and for terms certain.

Residence.—The assured will be allowed to reside in any part of Europe, in Australasia, New Zealand, Canada, Cape of Good Hope, Madeira, and in any part of the world distant more than 35 degrees from the Equator.

Whole world policies are granted to persons assuring on the lives of others on payment of an extra premium.

Interest in Policies.—A party having had an interest in the life assured shall not lose the benefit of the policy, although his interest shall have terminated before the death of the assured.

Renewal of Policies.—If an assurer be unable to pay the premiums, he will be allowed, on giving due notice, to charge the amount thereof upon his policy, to the extent of its value, thereby preserving the assurance during a period of difficulty, and so preventing the sacrifice of the provision he had made for his family. This feature is peculiar to this office, and affords a most important advantage to policy holders, by thus avoiding the forfeiture of a valuable policy.

Policies of twelve months' standing are not affected by suicide, duelling, &c., and assigned policies are valid from the date thereof, should death ensue from either of these causes.

This is an advantage not offered by any other assurance society. In some other offices the value of the policy or the premiums paid on it are returned in the event of death by suicide, duelling, &c. But in this society the whole amount assured will be paid. This fact is of too great importance to be overlooked.

All policies indisputable and issued free of stamp duty to the assured.—This society, considering the charge for policy stamps as a tax upon prudence, and a great impediment to the full development of life assurance, have determined to relieve assurers at once of this burden, and charge it as a working expense upon the office.

No admission nor entrance fees are required, nor is any charge made for the policy.

Medical practitioners paid by the office for every case referred to them for their professional opinion.

GUARANTEE DEPARTMENT.

This society embraces the business of public guarantee, united with assurance on life, for the fidelity of persons in situations of confidence and trust, and providing against losses arising through dishonesty or failure to account, in lieu of the uncertain protection afforded by the system of private guarantee.

Appendix, No. 7.

The principle of public guarantee has proved, from experience, so successful in its application to the employers so guaranteed, and the employed so assured, that the Lords Commissioners of Her Majesty's Treasury have, by a special minute, empowered the heads of the Government department to receive the guarantee of a public company for those appointed to offices of trust and responsibility under the Crown.

The directors, in order to provide against the numerous cases of hardship and constant uncertainty to which private bondsmen are exposed, have prepared tables expressly for this society, to grant policies for fidelity of trust, combined with policies of assurance on life, deferred annuities, and endowments to persons of approved character, about to be appointed to, or holding situations in, Government offices, banks, mercantile houses, public institutions, railway, insurance companies, and all other situations where security against fraud or failure to account is required.

The value of this union of the two principles, combined with life assurance, the surety policies hold out to him, who with moral integrity unites the possession of an eligible life the solid advantages of the per-centage he is annually paying being no longer an unproductive, although an unavoidable tax upon his earnings, all benefit from which expires with the tenure of his present employment, and ceases with his life. But, on the contrary, the union of life assurance with guarantee secures to his family in the latter case, and to himself on the cessation of occupation, arising from any cause not produced by want of honesty on his own part, a full, direct, and immediate participation in the profits of the office, to the prosperity of which the premiums paid on his own policy have contributed their proportion.

The directors will grant policies for fidelity of trust, independently of policies of assurance on life, &c., at moderate rates of premiums, varying according to the extent of the risk.

Application for shares to be addressed to the managing director, 31, Cornhill; and to James Lane, mine and share agent, 80, Old Broad-street, London.

Prospectuses, and every further information, may be obtained from the actuary, at the office of the society, No. 31, Cornhill, London; or at the offices of the agents to the society.

Local agencies will be formed in Wales, Cornwall, and in the principal towns of the United Kingdom.

Persons desirous of being appointed agents are requested to apply personally, or by letter, to the managing director,

Aug. Collingridge.

N. B.—For Marine Department, separate prospectuses may be obtained at the offices.

FRIENDS' PROVIDENT INSTITUTION.

NINETEENTH REPORT of the Friends' Provident Institution.

The following Statement contains a summary of the transactions of the Institution, from its commencement to the 20th of 11th month, 1851, a period of 19 years:

Receipts.	£.	s.	d.
Net amount of single premiums	101,589	10	2
Ditto of periodical premiums	374,993	17	5
Interest on investments	124,036	3	1
Entrance monies, &c.	1,438	11	5
£	602,058	2	1

Disbursements.	£.	s.	d.
Annuities	61,019	5	9
Endowment assurances	13,316	2	3
Deferred sums	4,103	14	4
Life assurances	125,769	9	8
Purchase of policies	26,198	–	8
Returns on policies lapsed by death of parties before taking effect	1,655	17	4
Property tax	2,424	12	9
Bankers' commissions	217	5	7
Printing and stationery	992	19	11
Other expenses (average, 744*l.* 18*s.* 10*d.* per annum)	14,153	18	7
Balance, being amount of property, on 20th of 11th month, 1851	352,206	15	3
£.	602,058	2	1

A STATEMENT

A STATEMENT of Receipts and Payments of the Friends' Provident Institution, from the 20th of 11th Month, 1850, to the 20th of 11th Month, 1851.

Receipts.	£.	s.	d.	Payments.	£.	s.	d.
Balance on the 20th of 11th month, 1850	326,727	4	6	Annuities, Class I.	543	15	–
				Ditto Class II.	432	10	–
Single premiums received on assurances (agents' commission deducted)	8,019	4	3	Ditto Class III.	5,041	9	2
				Ditto Class X. (Survivorship)	25	–	–
Periodical premiums received on assurances (agents' commission deducted)	31,105	4	2	Endowment assurances, with bonuses, Class VI.	1,597	7	–
				Deferred sums, assured in Class VII. ditto	409	18	–
Interest on monies invested with the National Debt Commissioners and other securities	15,207	–	11	Deferred sums, assured in Class VIII. ditto	343	10	–
				Life assurances, Class IX. on 20 lives, ditto	17,319	13	–
				Premiums returned on account of the death of parties assured in Classes VI. and VIII.	432	1	5
				Amount returned in purchase of policies by Institution	1,180	17	11
				Printing and stationery	34	11	5
				Bankers' Commission	4	10	–
				Income tax charged upon interest on investments	384	18	8
				Expenses of management, including rent, salaries, postages, &c.	1,067	2	4
				Receipt stamps	34	14	8
				Balance in favour of the Institution on the 20th of 11th month, 1851	352,206	15	3
£.	381,058	13	10	£.	381,058	13	10

A STATEMENT of Funds and Effects belonging to the Institution, on the 20th of 11th Month, 1851.

Property belonging to the Institution.	£.	s.	d.	Debts owing by the Institution.	£.	s.	d.
Principal invested with the Commissioners for the Reduction of the National Debt	66,551	–	2	Assurances fallen in, but not yet payable	3,786	–	–
Principal invested on real securities	270,255	–	–	Balance due to agents and assurers	61	8	11
Interest accrued thereon	3,874	16	3				
Loans on policies	8,791	18	4	Balance in favour of the Institution on the 20th of 11th month, 1851	352,206	15	3
Interest accrued thereon	130	4	9				
Policy and receipt stamps on hand	206	7	–				
Balance at bankers' in London	4,360	2	2				
Balance in the hands of secretary	1,722	8	4				
Balances due from agents and assurers	62	7	2				
£.	356,054	4	2	£.	356,054	4	2

(signed) *Henry Pearson*, *John Thistlethwaite*, *Daniel Tuke*, } Auditors.

(countersigned) *Benjamin Ecroyd*, Secretary.

NATIONAL PROVIDENT INSTITUTION.

STATEMENT of the RECEIPTS and DISBURSEMENTS of the NATIONAL PROVIDENT INSTITUTION for the Year ending the 20th November 1852.

RECEIPTS.

PREMIUMS ON ASSURANCES.	SINGLE. £. s. d.	PERIODICAL. £. s. d.	£. s. d.
Class I. (less agent's commission)	180 17 1	—	
Class I. „	—	299 17 11	
Class II. „	—	439 16 4	
Class III.	86 4 7		
Class IV. (less agent's commission)	—	42 1 10	
Class V. „	—	35 3 3	
Class VI. „	—	1,570 19 11	
Class VII. „	—	105 6 9	
Class VIII. „	—	518 18 10	
Class IX. „	—	152,543 11 2	
Class X. „	—	9,454 10 5	
Periodical premiums	—	—	165,010 6 5
Single premiums	—	—	267 1 8
Interest on monies invested with the Commissioners for the Reduction of the National Debt	3,516 5 9		
Interest on monies advanced on mortgage	17,996 17 2		
Interest on monies invested in Government securities	7,438 6 10		
Interest on monies advanced on security of policies	358 4 4		
		29,309 14 1	
Discount on claims paid, and on policy, receipt, and loan stamps	138 19 5		
Less interest paid to bankers	24 8 4		
		114 11 1	29,424 5 2
Charges on loans advanced to members on security of policies	—	—	68 — —
Fines	—	—	74 3 6
			194,843 16 9
Balance as above			130,897 3 3
Balance on the 20th November 1851			738,492 18 4
Balance in favour of the Institution on the 20th November 1852		£.	869,390 1 7

DISBURSEMENTS.

	£. s. d.	£. s. d.
Deferred annuities, Class I. paid on this account	—	320 — —
Deferred annuities, Class II. paid on this account	—	237 10 —
Immediate annuities, Class III. paid on this account	—	2,411 17 11
Endowments, Class VI. paid on this account	—	1,650 — —
Deferred sums, Class VII. paid on this account	—	200 — —
Deferred sums, Class VIII. paid on this account	—	350 — —
Life assurance, Class IX. paid on 73 deaths	—	38,190 6 —
Carried to the credit of Suspense Account, Class IX. on 25 deaths	—	10,206 14 —
Carried to the credit of Suspense Account, Class X. on one death	—	500 — —
Premiums returned on Policies Determined:		
Class II.	181 19 1	
Class VI.	99 12 11	
Class IX.	2,203 1 —	
Class X.	621 11 11	
		3,106 4 11
Country Agency Expenses:		
Postage, advertising, and incidental expenses	174 6 10	
Fees to medical referees	291 3 —	
Fees to country medical referees on town business	43 4 —	
		508 13 10
Actuary—Annual fee	157 10 —	
„ For calculating new Class IX. Table	31 10 —	
		189 — —
Solicitor's account	16 1 6	
„ retaining fee	105 — —	
		121 1 6
Surveyor's account	—	9 5 —
Auditors' fees	—	31 10 —
Printing	—	263 12 —
Stationery	—	84 6 11
Advertising	—	202 16 9
Receipt stamps	—	230 12 6
Directors' fees	—	1,500 — —
Medical directors' fees	—	436 16 —
Office salaries	—	2,046 18 2
Messengers' Wages	—	166 14 —
Deduction for wear and tear of property at 48, Gracechurch-street	440 18 1	
Less received for rent of offices let off	50 — —	
		390 18 1
Rates and taxes	—	102 5 —
Incidental expenses, including postage and carriage of parcels (260 *l.*), coals, candles, messengers, clothing, &c.	—	489 10 11
Balance in favour of the Institution	—	130,897 3 3
	£.	194,843 16 9

Audited, 10th December 1852.

A. Scrutton.
Robert Gamman.
John Chubb.

Joseph Marsh, Secretary.

STATEMENT of the Funds and Effects of the National Provident Institution on the 20th November 1852.

	£. s. d.	£. s. d.
Principal and interest invested with the Commissioners for the Reduction of the National Debt	- - -	97,080 14 1
Advanced on mortgages	- - -	482,600 19 10
Invested in the purchase of Three and a Quarter per Cents.	- - -	215,443 3 1
Ditto - - - Three per Cent. Consols	- - -	11,062 10 -
Loans advanced to members on security of policies	- - -	14,739 - -
Loans advanced on security of Three per Cent. Consols	- - -	50,000 - -
Freehold premises in Gracechurch-street	7,202 15 1	
Fixtures and furniture in ditto	1,174 19 3	
		8,377 14 4
In the hands of the bankers:—		
Cash	7,116 8 8	
Bills not due	1,737 8 11	
		8,853 17 7
In the Bank of England	- - -	726 10 6
Policy stamps on hand	- - -	122 10 -
Loan stamps on hand	- - -	22 18 9
Petty cash on hand	- - -	8 6 1
Amounts due by agents and others	- - -	482 19 6
	£.	889,521 3 9

	£. s. d.
Amounts due to agents and others	1,006 1 11
Suspense Account, Class VI.	269 11 -
Ditto - Class IX.	11,777 6 2
Ditto - Class X.	900 - -
Balance in favour of profit and loss on transactions in Government stock, &c. closed	6,178 3 1
Balance in favour of the Institution, being the amount by which the receipts exceed the disbursements to this date	869,390 1 7
£.	889,521 3 9

Audited, 10th December 1852.

A. Scrutton.
Robert Gamman.
John Chubb.

Joseph Marsh, Secretary.

QUINQUENNIAL STATEMENT of the Funds and Effects of the National Provident Institution on the 20th November 1852.

	£. s. d.	£. s. d.
Principal and interest invested with the Commissioners for the Reduction of the National Debt	- - -	97,080 14 1
Advanced on mortgages	- - -	482,601 - 6
Invested in the purchase of Three and a Quarter per Cents.	- - -	215,443 3 1
Ditto - - - Three per Cent. Consols	- - -	11,062 10 -
Loans advanced to members on security of policies	- - -	14,739 - -
Loans advanced on security of Three per Cent. Consols	- - -	50,000 - -
Freehold premises in Gracechurch-street	7,202 15 1	
Fixtures and furniture in ditto	1,174 19 3	
		8,377 14 4
In the hands of the bankers:—		
Cash	7,116 8 8	
Bills not due	1,737 8 11	
		8,853 17 7
In the Bank of England	- - -	726 10 6
Policy stamps on hand	- - -	112 10 -
Loan stamps on hand	- - -	22 18 9
Petty cash on hand	- - -	8 6 1
Amounts due by agents and others	- - -	469 11 9
	£.	889,497 16 8

	£. s. d.
Amounts due to agents and others	864 13 11
Suspense Account, Class VI.	269 11 -
Ditto - Class IX.	11,777 6 2
Ditto - Class X.	900 - -
Balance in favour of the Institution, being the amount by which the receipts exceed the disbursements to this date	875,686 5 7
£.	889,497 16 8

Audited, 10th December 1852.

A. Scrutton.
Robert Gamman.
John Chubb.

Joseph Marsh, Secretary.

ROCK LIFE ASSURANCE COMPANY.

Dr. STATEMENT of Receipts and Disbursements of the Rock Life

As regards the Subscription Capital Stock :	£. s. d.	£. s. d.
To Balance brought forward from 31st December 1850	- - -	1,113 11 10
To Dividends, viz.—		
On £. 75,000 – – Three per Cent. Reduced Annuities – – April	1,092 3 9	
„ 50,000 – – per Ann. Long Annuities – – – – „	24,270 16 8	
		25,363 – 5
To Interest, viz.—		
On mortgage	9,930 14 10	
„ advances to the Assurance Fund	379 – –	
		10,309 14 10
To Produce of Stock sold, viz.—		
£. 15,066 4 6 Three per Cent. Reduced Annuities, sold in March – –	- - -	14,633 1 5
	£.	51,419 8 6

Investments and Assets on this Account on the 30th June 1851 :

£. 75,000 – –	Three per Cent. Reduced Annuities.
50,000 – –	per Ann. Long Annuities, 1860.
613,496 – –	on mortgage, average 4 *l.* 5 *s.* per cent.
11,430 14 6	cash at bankers'.

As regards the Assurance Fund :	£. s. d.	£. s. d.
To Balance brought forward from 31st December 1850, viz.—		
Cash at bankers'	4,796 10 6	
Petty cash	5 17 2	
Balances due from agents	1,644 13 6	
		6,447 1 2
To Dividends, viz.—		
On £. 211,589 11 1 Three per Cent. Consols – – – January	3,081 5 6	
„ 3,725 2 – per Ann. Government Annuity – – „	1,808 4 7	
„ 630,187 1 2 3 ¼ per Cent. Reduced Annuities – – April	9,941 17 2	
„ 30,000 – – Three per Cent. Reduced Annuities – – „	436 17 6	
„ 14,000 – – per Ann. Long Annuities – – – – „	6,795 16 8	
„ 200,000 – – Canada Debentures – – – – – „	3,883 6 8	
		25,947 8 1
To Interest, viz.—		
On mortgage	14,408 1 8	
„ loans on policies	1,189 2 7	
„ claims, paid under discount, &c.	84 1 7	
		15,681 5 10
To Premiums, viz.—		
On £. 1,604,193 18 – assured by policies issued prior to 1851 – –	53,412 19 9	
„ 109,068 18 – assured by policies issued in 1851 – – –	4,555 3 2	
„ Annuities	195 14 6	
		58,163 17 5
To amount of fines		27 16 3
To produce of Stock sold, viz.—		
£. 107,000 – – Three per Cent. Reduced Annuities, sold previous to April dividend – –		103,948 15 –
To loans on policies repaid		845 – –
To amount overdrawn on the bankers' account, against the balance in their hands on the Subscription Capital Stock Account		1,254 18 5
	£.	212,316 2 2

Investments and Assets on this Account on the 30th June 1851 :

£. 30,000 – –	Three per Cent. Reduced Annuities.
211,589 11 1	Three per Cent. Consols.
630,187 1 2	3 ¼ per Cent. Reduced Annuities.
3,725 2 –	per Ann. Government Annuity, 1880.
14,000 – –	per Ann. Long Annuities, 1860.
200,000 – –	Canada Debentures, 4 per cent.
65,000 – –	British Guiana Loan Debentures, 4 per cent.
720,499 17 6	On mortgage, average 4 *l.* 6 *s.* 6 *d.* per cent.
44,621 – –	Loans on policies, 5 per cent.
10,000 – –	Loan on the security of Exchequer Bills.
45 5 8	Petty cash.
152 – 11	Balances due from agents.
11,173 7 3	House in Bridge-street.

Less 1,254 *l.* 18 *s.* 5 *d.* overdrawn on the bankers' account, against the balance in their hands on the Subscription Capital Stock Account.

- - - - - - - ROCK LIFE ASSURANCE COMPANY.

ASSURANCE COMPANY for the Half Year ending 30 June 1851. *Cr.*

Per Contra:	£.	s.	d.	£.	s.	d.
By Payment of Proprietors' Dividends, viz.—						
On previous year's dividends - - - - - - - - - -	3,196	5	–			
On the half-year's dividend for the current year - - - - -	16,791	7	6			
				19,987	12	6
By Payment for Power of Attorney - - - - - - - - - - - - -				1	1	6
„ Amount advanced on mortgage - - - - - - - - - - - - -				20,000	–	–
„ Cash at bankers' - - - - - - - - - - - - - - -				11,430	14	6
			£.	51,419	8	6

Per Contra:	£.	s.	d.	£.	s.	d.
By Payment of claims on policies originally assured for - - - -	66,520	–	–			
„ Ditto for redemption of 17,300 *l.* originally assured - - - -	3,010	2	3			
				69,530	2	3
„ Ditto of bonus additions to claims - - - - - - - -	37,923	7	8			
„ Ditto for redemption 3,145 *l.* 18 *s.* 4 *d.* bonus additions - - -	1,871	9	8			
				39,794	17	4
„ Ditto for return of extra premiums - - - - - - - -	-	–	–	324	8	1
„ Ditto for annuities - - - - - - - - - - - -	-	–	–	297	10	6
„ Ditto of interest on advances by Subscription Capital Stock Account -	-	–	–	379	–	–
„ Ditto for commission - - - - - - - - - - -	-	–	–	525	2	11
„ Ditto of half-year's pension to Mr. Robert Wakefield - - - -	100	–	–			
„ Ditto - ditto - pension to Matthew Hankins - - - -	35	–	–			
				135	–	–
„ Ditto of allowance to directors and auditors, and officers' salaries -	1,867	19	4			
„ Ditto of miscellaneous expenses, viz., rent, taxes, stamps, stationery, advertising, &c. - - - - - - - - - -	589	19	2			
				2,457	18	6
„ Ditto of parliamentary agent's account - - - - - - -	-	–	–	249	14	–
„ Ditto for furniture, &c. - - - - - - - - - - -	-	–	–	75	2	–
„ Purchase of 65,000 *l.* British Guiana Loan Debentures - - - -	-	–	–	68,250	–	–
„ Amount advanced on mortgage - - - - - - - - - -	-	–	–	19,000	–	–
„ Ditto on the security of Exchequer Bills - - - - - - -	-	–	–	10,000	–	–
„ Ditto on policies - - - - - - - - - - - -	-	–	–	1,100	–	–
„ Petty cash in hand - - - - - - - - - - - -	45	5	8			
„ Balances due from agents - - - - - - - - - - -	152	–	11			
				197	6	7
			£.	212,316	2	2

Examined by us with the books of the Company, this 3d of October 1851.

John White Cater,
William Henry Poynder, } Auditors.
Charles Horton Pulley,

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[*N.B.*—In this Index the *Numerals* following *Rep.* refer to the page of the Report; the *Figures* following the Names of the Witnesses refer to the Questions of the Evidence; and those following *App.* to the Page of the Appendix.]

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Ansell, Charles. (Analysis of his Evidence.)—Actuary to the Atlas Assurance Society, and also to the funds established in the three revenue departments, viz., the Customs, the Inland Revenue, and the Post-office, 703——The accounts of assurance offices returned to the registrar of joint stock companies are very imperfect for many objects, still they convey sufficient information to enable persons to form an opinion as to the soundness or unsoundness of the institutions to which the accounts particularly refer, 704-725 ——Remarks relative to the heavy expenses of conducting an insurance office during the first few years of its existence; the expenses very far exceed the amount of premiums received, 709-725, 832-835——Form of annual accounts best calculated to give the actual condition of the insurance offices, which should be returned to the registrar, 726-743.

Great advantage would result from periodical returns of the liabilities and assets of the offices being made to the registrar; there is no necessity for an uniform period being fixed; the institutions themselves might fix the periods of making these returns, 726-728——There would be great difficulty in laying down any general average rule under which accounts should be furnished by the offices, giving a clear insight into their condition; difference of opinion among actuaries as to the rates of mortality, 744-784 ——Remarks relative to the ordinary mode of calculating the premiums of assurance companies, 744, 745——Observations as to the several elements to be taken into calculation with a view of making a valuation of insurance offices, and arriving at their condition as to solvency; difficulties of arriving at any satisfactory result, 745-784.

Statement as to the several tables of mortality adopted by the several insurance offices; how far it would be possible to enforce the use of but one set of tables for their calculations; whether any advantage would result therefrom, 749-782——An account could be made out, showing upon the face of it, whether the office is in a satisfactory condition, but it involves a difficulty as to what data it would be proper to use under the particular circumstances of that account, 764-766——Opinion that the publication of periodical accounts of the liabilities and assets by insurance companies would be of as great use to the offices themselves as to the public at large, 779, 780——Witness places very little confidence in the periodical accounts which are taken by the different offices for the purpose of dividing bonuses, 781.

Opinion that a large number of offices are proceeding on principles of very great safety, and are doing a vast deal of good; doubts as to whether the number of unsound offices can be great, particularly those of moderately long foundation, 781, 782—— Objections to the interference of any Government authority in making a periodical investigation into the affairs of insurance offices for the purpose of ascertaining their soundness; any advantages would be insufficient to compensate for the interference of any Government authority whatever, 785, 786——It is not an uncommmon practice, after an investigation has taken place into the affairs of an office, for the actuary of another office to go over the whole of the transactions and arrangements and give an opinion as to whether the office was in a safe condition or not; by such a system anything wrong in the soundness of the office would be immediately discovered, 787-790.

It would be quite desirable, after the insurance offices setting forth in their periodical returns the liabilities of the institution in regard to their policies of assurance, that there should be some strict declaration before a magistrate as to the condition of their assets; there should be a list of assets, stating generally of what they consist, and the rate of interest to be paid, 791-793. 799, 800——With the elements of the account proposed, published periodically, it is witness's opinion that some very simple account from year to year, in the intermediate period would, be sufficient to show the progress of the companies, 794——Means by which, without unduly repressing competition, or unduly interfering with the formation of new offices, the public might be secured in the formation of new offices against purely speculative concerns, which end unfavourably, 795.

Suggestion that all assurance associations should be compelled to have a paid-up capital before commencing business, whether on the proprietary or mutual principle, as a test of their *boná fide* intentions; 30,000 *l.* would be a small sum compared with the capitals which have been raised by most of the existing companies, 795-807—— Judging from the list of shareholders in companies registered, and the very large amount of liability that seems to be taken by persons in very inferior stations in life, it would be advisable to make a regulation, to the effect that no person should be allowed to set up as a partner in an assurance association who could not pay up at least 50 *l.*, whatever the amount of his shares might be, 797. 802.

It is desirable that whoever takes on himself the office of a director should have some fair amount either of shares in a joint stock company, or of a guarantee in a mutual assurance society, as a qualification for the interest which it is assumed he would take, 798. 803-805——Witness considers that a valuation upon just principles of the outstanding risks would be a material part of an account of every assurance office; manner in which this valuation should be arrived at, 808, 809——It would require a very large and costly Government department to check the value of all the outstanding risks, 810 ——Opinion

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——Opinion that it would be very difficult to agree upon any principle upon which every assurance office should value its outstanding risks, 812.

Evidence generally with regard to the valuations of the capital and income of insurance offices, with a view of arriving at their actual condition; one material element is the manner in which the capital is invested, 813–824——It should be required that the offices should state not only what premiums had been received in the bygone years of existing assurance, but the value of the premiums that were expected to be received in future years, 814——In testing the probable prosperity of an office, it would be advisable to compare the value of the outstanding risk of the present year with the value of the outstanding risk at the end of the immediately preceding year, 820, 821——Witness does not consider that a considerable influx of young lives into an office would not alter the view of the prosperity of the institution, as every insurance brings its own responsibilities, 823, 824.

Opinion that sufficient information would be acquired by making periodical valuations and watching the accounts, without having annual valuations, 824——Principle on which witness proceeded in his examination of the valuations of insurance companies; in testing the situation of those particular offices, witness took the groundwork of their own valuations, 825–831——The older companies started with higher rates of premium than have been adopted by the majority of the new companies; this has enabled them to distribute bonuses, and in other ways to give advantages to the assured, 833, 834——Some assurance associations apply themselves by preference to the assurance of lives in different professions and pursuits; there is no great difference in the rate of mortality in the selection of any class; one uniform life table may be taken as applicable to all establishments, 836–840.

Remarks relative to the rate of interest obtained by insurance offices; if the institutions have the means of making a high rate of interest, they would be warranted in taking lower rates of premiums, 841–843——The chief element of uncertainty is the mode of valuing the liabilities arising from the irregular way in which the offices frame their tables of premiums originally, 844——There is no difficulty or difference between actuaries as to the valuation of reversions, 845–847——Opinion that the public would be enabled, from the accounts proposed to be published periodically, to draw safe conclusions, 848–852——It will not be safe to assume as at all generally true that these institutions get to a tolerably uniform position with respect to their future liabilities, 850–852——If periodical accounts were made, and annual accounts given, it would give to persons pretty well informed upon the subject, a good notion of the position of any particular office at any time, 854–857.

[Second Examination.]—There would be no particular difficulty in fixing some uniform table of mortality and some rate of interest, which might be adopted by all assurance offices in estimating their liabilities under the policies they may have in force; but witness doubts the advisability of obliging all assurance offices to adopt the same data for the same object, 858——Remarks as to the guarantees which might safely be taken from the projectors of new assurance offices, so as to mark the *bona fides* with which they might be set on foot; some restriction should be established to prevent directors from borrowing back from the institution any part of the money which they might have paid to the guarantee fund, 858——Observations relative to the probable usefulness of having some check officer appointed, that should have some control or supervision over the accounts of the assurance offices, 858.

Suggestion that there should be a separate registry of assurance companies; desirableness of having some public officer at the head of that registration thoroughly acquainted with the business of life assurance, 858——Nature of the duties that might be performed by this officer; the want of such an officer seems to have been felt by the present registrar, 858——It would be an improvement if a full return was annually made by the registrar to Parliament of all returns made to him; Parliament should call for a return from the registrar of joint stock companies of every document and paper registered since the Act of 1844 came into operation, 858——Further evidence in reference to the accounts, or rather returns, which witness suggested it would be desirable to have recorded periodically, 858, 859.

Anticipation of Profits. Evidence in condemnation of the practice assumed by some assurance offices of making up their accounts on the principle of anticipating future profits and treating them as assets; this is an ample justification for Legislative interference, *Higham* 2399–2437. 2477–2514. 2526–2532.

Assets and Liabilities. It would be quite desirable, after the insurance offices setting forth in their periodical returns the liabilities of the institution in regard to their policies of assurance, that there should be some strict declaration before a magistrate as to the condition of their assets; there should be a list of assets, stating generally of what they consist, and the rate of interest to be paid, *Ansell* 791–793. 799, 800——Observations as to the assets of insurance companies; the investment of the capital is an important feature of

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of the character of the assets, *Thomson* 941–948——Proportion which the accumulated fund in hand should bear to the whole liability of the office as a general test of its solvency, *Downes* 1132, 1133; *Edmonds* 1294–1300; *Ingall* 1769–1783. 1879–1882——Statement as to the rate of interest, and tables of mortality which witness takes in his calculation in valuing the assets and liabilities of assurance companies, *Downes* 1214–1219——Opinion that an office should be in possession of an accumulated fund of forty-two per cent. of its premiums to be in a sound condition, *Edmonds* 1247–1251——It would answer all purposes, and the public ought to be satisfied, if every office were left to make its own return of its assets and liabilities, and simply to state the principle on which that return was made, *ib.* 1378. 1391–1393. 1503——The premiums and receipts of an office ought in the long run to be equal to its liabilities without the aid of any paid-up capital, and in a well-conducted office it would be so, *Ingall* 1760–1766——A return of the amount of assets and liabilities of an assurance company would immediately show whether the office was proceeding on a safe basis or not, from the exhaustion of their means in proportion to their liabilities, *ib.* 1826–1839.

See also *Annual Accounts.* *Periodical Returns.* *Publication of Accounts.* *Solvency of Companies.* *Valuation of Assets.*

Asylum Life Assurance Office. The Asylum office was established in 1824, on the proprietary principle, *Farren* 2602–2605——There was a paid-up capital of 60,000 *l.* out of a subscription capital of 240,000 *l.*; this capital is invested in Government securities, in the names of trustees, so that the directors have no power over it; conditions under which it may be redeemed, *ib.* 2606–2618. 2699–2707.

Audit of Accounts. It is not an uncommon practice, after an investigation has taken place into the affairs of an office, for the actuary of another office to go over the whole of the transactions and arrangements, and give an opinion as to whether the office was in a safe condition or not; by such a system anything wrong in the soundness of the office would be immediately discovered, *Ansell* 787–790——Observations with reference to the auditing of accounts of assurance offices; where the principles of the society are properly carried out, it would be quite unnecessary to have any examination, if the auditors do their duty, *Downes* 1228——Witness cannot suggest any greater safety in the manner in which the audits of assurance institutions take place, *Edmonds* 1369.

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Auditors. Observations with respect to the class of persons who ought to be appointed as auditors of assurance offices; objection to appointing shareholders of the company to be auditors; suggestion that professional auditors should be employed, *Taylor* 324–331. 360–366——Suggestion for the appointment of a professional auditor for every office, to examine the ordinary accounts annually, and to report to general meetings of the shareholders; such reports to be put on record, along with the annual balance-sheet, *Thomson* 968–986——Particulars with respect to the duties performed by the professional auditor attached to all Scotch assurance offices, *ib.* 973–985——Nature of the duty of auditors of assurance companies, *Downes* 1228.

See also *Audit of Accounts.* *Government Audit.*

B.

Balance Sheets:

1. *Remarks generally as to the Balance-sheets returned to the Registrar's Office.*
2. *Unsatisfactory nature of these Returns.*
3. *Proposals for improving the Balance-sheets.*

1. *Remarks generally as to the Balance-sheets returned to the Registrar's Office:*

Remarks of the Committee as to the duty imposed on joint stock companies by the Act of 1844, to return annual balance-sheets, representing the state of their affairs, to the registrar's office, *Rep.* iii.——This provision has been very imperfectly complied with in many cases, and in others altogether neglected; the registrar has no power to enforce the returns being made, *ib.*

The Act of Parliament makes it compulsory on the companies to return an annual balance-sheet to the registrar's office; this is not always complied with, as there are a large portion of the companies who do not make them, and witness has no power to compel them to do it. *Whitmarsh* 50, 51. 66–79, 156, 157——The provisions of the Act as to the return of the balance-sheets annually to the registrar are very much evaded, *ib.* 77——Absence of any provision in the Act as to the particular kind of balance-sheets, and want of distinction between ordinary and investigation balance-sheets, *Thomson* 865——Remarks with reference to the preparation of the balance-sheet as required under the Joint Stock Act, *Colvin* 2961.

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Balance Sheets—continued.

2. *Unsatisfactory nature of these Returns:*

Observations as to the unsatisfactory nature of the returns furnished by the assurance offices under the Act of 1844; many of them are not so intelligible as they might be rendered, *Rep.* vii.; *Whitmarsh* 70-79. 109. 242; *Taylor* 296-309; *Thomson* 882-895; *Downes* 1087, 1088; *Neison* 2342, 2343——Some companies neglect to make these returns, and there is no means of compelling them to furnish them to the office, *Whitmarsh* 70-79. 109. 242; *Taylor* 296-309——The statements put on record under the present Joint Stock Companies Act are not balance-sheets, but statements of receipts and disbursements only, *Thomson* 1084——Although the returns made by assurance offices to the registrar of joint stock companies contains a great deal of information, they might be greatly improved, *Ingall* 1862-1869——Evidence in denial of statements by Mr. Whitmarsh and others, as to the unintelligibility of the accounts rendered to the registration office, *Colvin* 3587-3612——Denial of Mr. Whitmarsh's assertion that the accounts are manufactured for the purpose of registration, and that a totally different balance-sheet from that sent to the registry office is laid before the proprietors, *ib.* 3613-3624.

3. *Proposals for improving the Balance-sheets:*

Great advantage would result if any form of balance-sheet could be adopted upon which the returns should be made out, and some stringent measure adopted also, for the purpose of compelling the return of the actual balance-sheet that has been laid before the subscribers being returned to the Registry office, *Whitmarsh* 242-245——Opinion that the annual statement of receipts and expenditure is of value to give information in respect of the position of assurance companies; it would not be a direct index, but still it would afford some guide as to whether a society was in a prosperous condition or otherwise, *ib.* 246-262——Proposed form of balance-sheet which should be deposited with the Government officer, *Thomson* 882-895. 915. 989——The balance-sheet should be in such a form as to show the result in each office according to its own way of estimating, valuing and stating its accounts, *ib.* 915——Explanation with reference to the difference between ordinary and investigation balance-sheets; annual balance-sheets without an investigation cannot show the real state of a company's affairs, *ib.* 1084——Evidence to the effect that the returns made by assurance companies under the Act of 1844 might be very easily improved, so as to enable the public to decide whether the offices are in a sound state or otherwise; suggested improvements in the accounts and tables handed in in illustration thereof, *Farr* 3266-3286. 3291, 3292. 3395——Observations relative to the principles on which the balance-sheet should be prepared, and a proper valuation of assets determined, *Robertson* 3434-3437. 3439, 3440.

See also *Accounts. Auditors. Periodical Returns. Premiums. Publication of Accounts. Returns*, 1.

Baylis, Mr. E. Mention of thirteen offices, twelve of which are in existence, as owing their origin to Mr. E. Baylis, actuary, *Pateman* 3087, 3088.

Beneficent Life Assurance Society. Statement as to the Beneficent Life Assurance Society having been projected by R. W. Morris, *Pateman* 3050.

Berlin Assurance Company. Information with respect to the Berlin Company, which was formed in 1836, with the exclusive privilege of transacting assurance business for sixteen or seventeen years; injurious effects of the monopoly vested in this company, it being of itself insufficient for the population it had to deal with, *Neison* 3629-3645.

Board of Trade. Suggestion that the President of the Board of Trade, or some other public officer, should have power to make inquiry into the character of a company before its registration, *Farr* 3333-3335. 3342.

Bonuses. It is the practice with the great bulk of assurance offices to divide a portion of their profits in the shape of bonuses; process necessary to be gone through in order to arrive at the bonus that must be declared, *Downes* 1121-1131. 1165——Additions made to the policy in some cases, or the party may surrender his bonus for cash, *ib.* 1165-1169——Great difference of opinion among actuaries as to the principles on which the surplus or supposed profits of an office should be arrived at, for the purpose of distribution among its shareholders as a bonus; chief grounds on which that difference of opinion exists, *Ingall* 1794-1806——Opinion that next to an improvident expenditure, the premature return of what is in modern times termed profits, or surplus, and its division as bonuses, is the most dangerous thing that can be resorted to in an assurance company, *ib.* 1806, 1807. 1958-1960—— Remarks as to the portion of profits given off by assurance companies to the assured as bonuses, *ib.* 1924-1926——It would be a very wholesome regulation if it were made a condition that nothing should be treated as profits that was not capable of being paid in cash, *ib.* 1960-1964.

Instead of reducing the premiums, the policy is sometimes increased, that is, a bonus

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is given for overcharged premiums, *Farren* 2724, 2725. 2727, 2728——Evidence opposed to the practice of granting bonuses, *ib.* 2726-2765.

See also *Periodical Returns.* *Premiums.*

Brown, Samuel. (Analysis of his Evidence.)—Actuary of the Mutual Life Assurance Society, 1514——Remarks relative to the establishment of the company on the purely mutual principle; sufficiency of the premiums to meet all expenses; amount guaranteed by the directors; there has been no necessity to call for this fund, 1515-1522. 1743, 1744——Opinion that from the great competition prevailing, and the necessity for a large expenditure, it is impossible to carry on an office without a paid up guarantee fund, 1523-1525——Evidence generally as to the income and expenditure of insurance companies between 1720 and 1837, showing that it is much more expensive to get business for a society now, than it was 100 years ago; witness's evidence is based upon Mr. Christie's calculation, 1525-1575. 1674-1683.

Statement of the total number of proprietary companies and mutual companies in existence at the end of 1852; total number of companies established since 1844; 1529. 1543——Great number of mutual companies that start without a guarantee fund, the insurers in which have no security except the balance of premiums in hand, 1543, 1544. 1576-1579. 1735——It is not a very common practice for people to deposit money with assurance offices at interest, 1550-1559——The effect of the large expenditure of modern business must be that the money must be eventually repaid by the members; the assured must always repay any expenses incurred for the establishment of the company out of the premiums, 1580-1594——The Mutual Life Assurance Company registered themselves under the Act of 1844, in the name required for all existing companies, 1595-1604.

Opinion that the number of assurance offices is too large for the amount of business; if the same increase goes on for the next two years it might become an important question to the assured, 1605-1607——Evidence generally with respect to the guarantee fund to be possessed by all assurance offices; amount necessary to form this fund; the accumulated premiums might be applied from time to time to the release of the subscribed guarantee fund, 1608-1643. 1711-1734——Opinion that a company cannot be considered successful that is not solvent at any given time; a society should always be possessed of sufficient funds to meet all its policies, and leave off business without a deficiency, 1644-1673——Mere exertions to increase the business of an office without a large expenditure of money, avail very little; although it is very disadvantageous for companies to expend such large sums, they are obliged to do so on account of the competition of so many offices, 1652-1673.

Statement showing the number of life assurance companies, according to date of formation, existing at the end of 1852, proprietary and mutual, with the nominal capital and nominal amount paid up of the former, 1683——Remarks intended to show that the proportions between the capital paid up, and the nominal capital, does not differ very much in the old and new offices, 1685-1695——Observations as to the deficiencies of the new offices; the amount of business done is inadequate to cover the amount of expenditure which has been made by a large number of offices, 1696-1702——From the difficulty of obtaining business, the expenses of the offices are so greatly increased as at this time to render the payment of claims unsafe, 1702——Remarks as to the longevity of the population; with regard to the lower orders a very great improvement has taken place, 1703-1709.

Table showing the mortality per cent. in the Equitable Assurance Society between quinquennial periods of age, out of one hundred persons existing at each period and admitted respectively at intervals preceding, increasing by five years, 1709——The result is that the mortality in the society is less than the average in its earlier years, and greater the longer it continues, even out of persons existing at the same age, 1709, 1710——Opinion that no capital is absolutely necessary; if the company is well managed, and does not spend more than 14 per cent. of its premiums for the first year, it would require no guarantee fund and could carry on its business, 1711-1713——Many mutual offices have been provided with a guarantee fund by the directors or promoters, although no mention of it has been made in the prospectuses, 1736-1741.

The deeds of settlements of all new companies are registered in the registrar's office, 1742——Recommendation that the guarantee fund should be paid up with regard to all new offices as a security for the *bonâ fide* intentions of the promoters; witness considers that would be quite as effectual as a deposit, 1745-1748.

Bubble Companies. Great facilities which exist under the present state of the law for insurance companies, in common with others, being brought into existence with no reasonable prospect of, or guarantee for success, and not unfrequently without any *bonâ fide* intention of transacting business, *Rep.* iv.

See also *Fraudulent Companies.* *Guarantee Fund*, 1.

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C.

Capital. The provisional registration did not provide for any amount of paid-up capital in the first instance; the amount of capital was perfectly optional with the company, *Whitmarsh* 13, 14——There is no provision as to any portion of the capital being paid up previous to complete registration, nor within any specific period after the deed is granted, *ib.* 35-40——Remarks relative to companies obtaining an increase of capital; the companies are required simply to make a return of the fact to the registry office; they do not come to the office for authority to increase their capital, *Taylor* 271-278. 281–283——If the necessity for raising a further amount of capital after the company is formed could possibly be avoided, it would be desirable, *ib.* 371——No great capital is necessary to set going a life insurance office, if the management is prudently kept down; still it is necessary to have some capital, as the premiums are not sufficient to meet all expenses, *Finlaison* 565–568; *Brown* 1711–1713.

Mode of calculating the capital and income of insurance offices; money in the public funds cannot be considered as capital, *Finlaison* 585 *et seq.* 665–667. 693-697 ——Remarks intended to show that the proportions between the capital paid up and the nominal capital does not differ very much in the old and new offices, *Brown* 1685–1695 ——The amount of the capital should depend on the peculiar mode of action adopted by each company, *Neison* 2300——The question of capital and no capital is precisely the question of dependent and independent risks, *Farren* 2620, 2621——The only use of capital is to facilitate the obtaining of business, *Colvin* 2926, 2927. 2949–2951.

See also *Guarantee Fund.* *Investment of Capital.* *Mutual Offices.* *Paid-up Capital.* *Premiums.* *Proprietary Offices.*

Carlisle Tables. The Carlisle table is twenty per cent. too favourable for lives that have been long assured, *Edmonds* 1234——The table is a close representation of the vitality of the female population as last observed in England, *ib.* 1435.

See also *Mortality*, 2. *Tables.*

Colvin, Alexander. (Analysis of his Evidence.)—Actuary to the United Mutual Mining and General Life Assurance Society, 2888, 2889——This society was established in 1849 under the new Act, 2890, 2891——Evidence with respect to the comparison which has been drawn up between the expenditure of twenty-one old assurance offices and twenty-eight new offices; opinion that the expenditure of the new offices has been exaggerated, 2892–2902. 2908–2910. 2928——Explanation of the statement by Mr. Brown that only twenty-eight new offices could be brought forward, whose accounts were intelligible, 2899——Circumstance of the Registration Office refusing to give a voucher for the receipt of certain returns lodged with them, 2899–2902——Parliamentary interference with assurance offices is both ineffective and undesirable; in proportion as Government interfere the public will become the more careless, 2903–2907.

The offices established under the Act of 1844 are quite as honourably conducted as those of an earlier date, 2911——Objections to the proposal that every office should have a paid up capital as a test of good faith; public damage rather than benefit would be the result, 2912–2927. 2933–2960——A paid up capital affords little, if any, security to the assured, 2926. 2952——The ultimate security of the public must depend on the premiums, 2926——The only use of capital is to facilitate the obtaining of business, 2926, 2927, 2949–2951——Remarks on the relative expenditure of old and new offices; the expense with respect to new business is about the same in each case, 2928–2932.

How far the peculiar constitution of life assurance societies offers unusual opportunities or inducements for their establishment, 2933–2936——There is a great and growing demand for life assurance, and no obstacles should be offered to the proper supply of such demand, 2937——Consideration of the question as to the amount of premiums which should remain on hand in order to prove the solvency of any company; correction of Messrs. Christie and Brown's conclusions on this point, 2938–2948. 2954, 2955——A very considerable sum may be expended at the commencement of an office without at all damaging the ultimate security, even though it should be paid out of capital and not out of premiums; the earlier expenditure is the price of the business, 2942–2960.

Remarks with reference to the preparation of the balance-sheet as required under the Joint Stock Act, 2961——Explanation of the course at first pursued by witness in valuing the gross premiums of his office, and in preparing the balance-sheet, so as to show the general condition of the office, and its prospects for the future; he entered into this detail under a mistaken impression that the Act required him to do so, 2961–2971.

[Second Examination.]—Admission by witness that he was under a misapprehension in stating that the registrar's office habitually refused to give vouchers for documents returned thereto by assurance companies, 3447, 3448.

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[Third Examination.]—Further evidence with respect to the comparison of expenditure of old and new offices; grounds for the conclusion that such comparison was made under circumstances altogether disadvantageous to the young offices, 3549-3581——Strong feeling existing among the members of the Institute of Actuaries against Government interference with respect to the formation of new assurance companies, 3582-3584——The Institute of Actuaries are almost exclusively opposed to the proposal that each office should deposit with Government a large deposit as a security to the public, 3584-3586——Evidence in denial of statements by Mr. Whitmarsh and others, as to the unintelligibility of the accounts rendered to the Registration Office, 3587-3612——The annual accounts should be simple statements of receipt and expenditure as at present, and periodically there should be complete returns of all assets and liabilities, 3590-3612.

Denial of Mr. Whitmarsh's assertion that the accounts are manufactured for the purpose of registration, and that a totally different balance-sheet from that sent to the Registry Office, is laid before the proprietors, 3613-3624——Explanation of a statement by Mr. Pateman that the United Mutual Mining Office was one of those projected by Mr. Alfred Burt; the latter office had no connexion with that to which witness belongs, 3625, 3626.

Commission. See *Agents.*

Competition. With reference to any check which the Legislature may think proper to impose upon life insurance offices, it ought not to be with the view to restrain competition, but rather with a view to increase public confidence and security, and to extend the general business of life insurance, *Finlaison* 702.

See also *Expenditure*, 1. *Guarantee Fund. Ireland. Preliminary Expenses.*

Complete Registration. Remarks of the Committee with respect to the complete registration of joint stock companies, *Rep.* iii——The next step after provisional registration is for the company to prepare for complete registration; manner in which this is effected; deposit of the deed of settlement with the Registrar, which, if conformable with the Act, entitles the company to complete registration, *Whitmarsh* 27-34.

See also *Capital. Frauds. New Offices. Policies. Registered Companies.*

Constitution of Companies. Observations as to the general constitution of an insurance office, in order that it should be placed upon a basis as satisfactory and secure to the public as possible, *Finlaison* 565 *et seq.*——Life assurance has not been sufficiently long practised in this country, in the varieties of forms in which it now exists, to have been worked out to a satisfactory conclusion as a proof and evidence of the soundness of the principles on which it is established, *Ingall* 1965-1967——How far the peculiar constitution of life assurance societies offers unusual opportunities or inducements for their establishment, *Colvin* 2933-2936.——*See* also *Mutual Offices.*

Continental Assurance Companies. In consequence of the restrictions imposed on continental companies, the spread of assurance has been exceedingly limited and slow, and the great bulk of the transactions take place in assurances by English offices, *Neison* 3627 *et seq.*——Throughout Bavaria and Hanover, and a great number of other states on the Continent, the Government restrictions with respect to assurance offices are very severe, and the effect is that very few local companies have been established, *ib.* 3646-3670.——*See* also *Germany.*

Cost-Book Principle. Large number of joint-stock companies at present established upon the cost-book principle, which is perfectly undefinable, *Whitmarsh* 238.

Counties Union Life and Fire Assurance Company. Reference to the "Counties Union Life and Fire Assurance Company," which has lately been brought to a close; the claims are nearly 20,000 *l.*, and will fall on the shareholders, who are few in number, *Pateman* 3107-3111.

D.

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2. *Remarks as to the Proportion which the Expenditure ought to bear to the Income.*

1. *Comparison between the Expenses of Old and New Offices; necessity for a larger Expenditure by Modern Offices:*

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There is no doubt that the insurance offices make a higher rate of interest on their capital than that paid upon the public funds; witness advises all offices to sell out their money in the funds, and invest it in railway debentures and other securities, 594. 600-611 The rate of interest which an insurance company can obtain upon its investments must depend upon the comparative security of the different investments which the office makes, 605-607——Objections to the foreign funds as a mode of investment for the funds of insurance offices, 608-611——In making a valuation of the condition of an insurance office, one of the most essential elements would be the character of the securities which represent the accumulated capital; no account would be worth anything, unless it were accompanied by a valuation of those assets, 612, 613.

In calculating the condition of an insurance office, the care with which lives have been taken is an important element, 614-617——Remarks relative to life insurance in Ireland; evils arising from the courts in Ireland requiring no proof that the proprietor of a policy had any interest in the life, 617——Opinion that so much depends upon the discretion and good management of an insurance office, that witness would place no confidence in any check that could be obtained by any system of accounts, 618——Great injury would be done to the country in not encouraging life assurance to the utmost extent, 618——From the great activity of new offices vast numbers are induced to effect life insurances; anything that would tend to discourage new offices would be very injurious, 618, 619——Opinion that there is no reason to doubt the solvency and honesty of all insurance offices; there is no danger whatever of contemplated fraud with regard to insurance offices, 620-628.

Periodical investigations into the affairs of insurance offices might be maintained, and valuations made, but at very great expense, 628-643——Remarks relative to a proposed system of confidential and secret investigation into the affairs of insurance offices as a means of testing their solvency: such a confidential investigation would necessarily be more satisfactory, not only to the directors themselves, but to the public at large, 628-646——Observations as to the tables in use by insurance offices; the Carlisle Tables have only lately come into operation; formerly it was the Northampton Table that was adopted, which was much more beneficial, 641——Witness is not aware of any evils with regard

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regard to life insurance offices which the Legislature could remedy, 647, 648——Any system that would go to strengthen public faith in the solvency of the offices would be a great national benefit, 648.

Witness knows no means of increasing public confidence in these institutions, unless it were founded upon some method of confidential visitation; how far the result of these investigations and valuations should be published to the public, 650-656——The extent to which life insurance has been carried is very great, but it might be vastly extended, 657-659——Difference between witness's tables of mortality and the Carlisle Tables, 662-665——Clauses contained in most policies of insurance limiting the liability to the amount of the funds in the hands of the office; witness questions the legality of these clauses, 676-678——If a confidential visitation of insurance offices were established, the result of that might be laid before Parliament, to show the progress of insurance generally, but not the individual concerns of each office, 679-681.

Opinion that all insurance offices on starting should be possessed of a capital of about 15,000 *l.*; 682——Witness never saw, nor can he conceive the case of an office accepting premiums that would be below the full arithmetical risk, 698, 699——With reference to any check which the Legislature may think proper to impose upon life insurance offices, it ought not to be with the view to restrain competition, but rather with a view to increase public confidence and security, and to extend the general business of life insurance, 702.

Fitzgerald, John David, M. P. (Analysis of his Evidence.)—Queen's counsel at the Irish bar, 3182, 3183——Explanation of the difference between the law in England and in Ireland as applied to assurance societies, 3184, 3185. 3200——Remarks on the considerable litigation which is carried on in Ireland on the subject of assurance policies; this is entirely due to the careless and competing system pursued by English companies in effecting assurances, 3186-3200——Instances frequently occur of persons being put forward to assure their lives, and afterwards to transfer the policies to others for small sums of money; speculative character of this proceeding, 3186-3189. 3206-3218——The litigation has been almost entirely confined to the English offices; the verdict is generally against them, unless they succeed in compromising the case, 3193-3200——The law in Ireland with respect to assurance offices is administered just as well as in England, and on the same principles, 3200——Some benefit would result if the Irish law were made perfectly similar to that of England, but, under any circumstances, there would still be ample opportunities for speculation and undue practices, 3201-3218.

Foreign Funds. Objections to the foreign funds as a mode of investment for the funds of insurance offices, *Finlaison* 608-611.

Frauds. Observations relative to the frauds committed on the Register Office by companies to obtain complete registration, by their obtaining any persons to sign the deed of settlement as subscribers for shares, who have no intention of taking up those shares or paying for them; instance of this referred to, *Whitmarsh* 214-223——Statement that frauds have been perpetrated upon the public in connexion with the assurance companies, which call loudly for the amendment of the Act in reference to them, *Taylor* 457, 458——There are no means, other than those existing, by which the general accuracy of the accounts might be attested to the public; the only mode of making them accurate, would be to impose a penalty on any incorrect or fraudulent account, *Edmonds* 1370-1384——Evidence to the effect that Government supervision is not necessary in order that the public may be protected from fraud on the part of the societies; instances of fraud are almost unknown, and the shareholders have it in their power to guard against the same, *Neison* 2241-2553.

See also *Fraudulent Companies.* *Government Audit*, 2. *Solvency of Companies.*

Fraudulent Companies. The establishment of fraudulent assurance companies has been greatly facilitated by the Act of 1844; *Pateman* 2974-2976. 3042-3045. 3114, 3115——A certain prestige is created in favour of the offices by their being enabled to say they are "Empowered by Act of Parliament;" though they are only registered under the Joint Stock Act, *ib.* 2975, 2976——Enumeration of several fraudulent companies projected under the Act of 1844, by which the public have been great sufferers, *ib.* 2976, *et seq.*——Authentic sources from which witness has derived his information on the subject of the fraudulent companies, *ib.* 2991, 2992——The policies of fraudulent companies being usually issued unstamped cannot be sued upon or given in evidence in a court of law, *ib.* 3059, 3060——There are many claims for fire and life policies unpaid, but the chief loss through the societies mentioned by witness has been on marine policies, *ib.* 3061-3064.

The first premium alone has been paid in the cases enumerated by witness; the offices however would have gone on longer if they had not been exposed, having all started for the purpose of obtaining money under false pretences, *Pateman* 3067-3072——With respect to the part taken by witness in exposing fraudulent assurance offices, he is the publisher of the "Post Magazine," which is devoted to the subject of life

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assurance, *Pateman* 3078——Witness is cognisant of more than a dozen offices projected since the Act of 1844 for the purpose of obtaining money under false pretences; many of those were not registered, though they all stated they were empowered by Act of Parliament, *ib.* 3083-3086. 3112, 3113——In case of any office obtaining money under false pretences, the Registrar should have power to indict the parties so acting, *ib.* 3120-3126—— The necessity of a paid up capital would check the establishment of fraudulent companies, *Farr* 3332, 3333. 3345.

See also *Agents.* *Joint Stock Companies Act*, 2. *Transfer of Business.*

Freehold Societies. See *Working Classes.*

FRIENDLY SOCIETIES:

1. *Generally.*
2. *Powers possessed by Friendly Societies to issue Policies of Insurance.*
3. *Objectionable Nature of the present mode of conducting Assurance Business by these Societies.*

1. *Generally:*

There is no distinction between friendly societies as far as they apply themselves to life insurance, and mutual assurance associations, *Pratt* 510, 511——Opinion that the friendly societies very seldom fail to discharge the obligations which they have incurred, *ib.* 516-518——Statement relative to the difference between certified and registered friendly societies, as to the advantages and privileges they respectively enjoy under the last Act, *ib.* 535-548——With regard to friendly societies granting insurances, witness has nothing to add to the evidence given by him last Session before the Friendly Societies Committee, *ib.* 558-560——Many persons have been ruined by trusting too much to friendly societies, under belief that they were under the protection of Parliament, *Ryley* 2820. 2886——Friendly societies might be unduly checked if a paid-up capital were rendered indispensable, *Farr* 3336-3341—— Evidence as to the effect produced by Government interference upon the establishment and working of friendly societies; grounds for the conclusion that the general character of these societies has been much deteriorated by recent legislation, *Neison* 3677-3705——Friendly societies were on an insecure footing previously to the passing of Mr. Sotheron's Act, but they are still more so at the present time, and the Act has had the effect of increasing the number of pot-house clubs instead of diminishing them, *ib.* 3677-3705.

2. *Powers possessed by Friendly Societies to issue Policies of Insurance:*

Under the Act 13 & 14 Vict., c. 115, sect. 2, no friendly society can now be established which assures a sum exceeding 100 *l.* at death, or an annuity exceeding 30 *l.* per annum, or a sum in sickness exceeding 20 *s.* per week, *Pratt* 495-497—— Friendly societies are in fact assurance associations intended for the benefit of the poorer classes, who are not able to assure for themselves in the larger companies, *ib.* 498-500 ——Several societies established under the Friendly Societies Act have granted assurances to a higher amount than 200 *l.*; there are a few societies enrolled under the Friendly Societies Act, and also registered under the Joint Stock Companies Act, to enable them to carry on their operations to a larger amount, *ib.* 501-509——Remarks on the business undertaken by some friendly societies in effecting assurances with persons in the lower ranks of life for small premiums; increase of this class of business and security attending it, *Neison* 2345-2351——It is not necessary as a matter of practice to incur a higher expense on the moderate species of business transacted by friendly societies, than on the business of those offices where the policies are fewer and the amounts assured much larger, *ib.* 2352-2354. 2358, 2359.

3. *Objectionable Nature of the present mode of conducting Assurance Business by these Societies:*

The present mode of conducting assurance business by the friendly societies is objectionable, inasmuch as their tables are never certified by an actuary, and therefore there are no data upon which they can go; causes to which the reluctance of friendly societies to having certified tables is attributable, *Pratt* 519-528——Doubts as to whether the rates paid by members of friendly societies are sufficient to enable the society to meet all its obligations; many of these societies must have failed but for the amount of honorary contributions which they have received, *ib.* 529-534——Evidence as to the complaints against associations formed as friendly societies and possessing the privileges attached to those societies, when in truth they have become practically insurance offices for large transactions; opinion that there is no ground for such complaint, *ib.* 552-557 ——Evidence to the effect that considerable mischief arises from the prestige given to assurance offices registering under the Act, and being connected with friendly societies; misapprehension of the public with regard to the security offered by a friendly society, which is at the same time an assurance company, *Robertson* 3471-3497.

See also *Guarantee Fund*, 1. *Nominees.* *Returns*, 2.

Friends'

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Friends' Provident Institution. Nineteenth Report of the Friends' Provident Institution, *App.* 390——Statement containing a summary of the transactions of the institution, from its commencement to 20 November 1851, a period of 19 years, *ib.*——Statement of receipts and payments of the institution, from 20 November 1850 to 20 Nov. 1851, *ib.* 391——Account of the funds and effects belonging to the institution on 20 November 1851, *ib.*

G.

General Commission and Ship Loan Insurance Association. Remarks as to Messrs. Collingridge and Burnand having started the "General Commission and Ship Loan Insurance Association," which is now being wound up with claims against it to the amount of 25,000 *l.*, *Pateman* 2985.

Germany. Evidence generally, founded on witness's knowledge of assurance societies throughout Germany, showing that considerable evil has there resulted from the interference of Government with such societies, *Neison* 3627-3670——One hinderance to the development of assurance societies throughout Germany is, that it is imperative upon them to publish their accounts, *ib.* 3653-3659——The deeds of many of the German companies contain clauses prohibiting assurances beyond a certain amount; effects of this prohibition, *ib.* 3666.——*See* also *Agents. Continental Assurance Companies.*

Gotha Life Assurance Office. Remarks relative to the Gotha Life Office; principles on which it has been formed and is conducted; immense amount of business transacted by this company in consequence of certain privileges possessed by it from Government, *Neison* 3629. 3646. 3655. 3666.

Government Audit:

1. *Recommendation for the establishment of a Government Audit as a check on the Accounts of Assurance Offices.*
2. *Objections to such an Audit being adopted.*

1. *Recommendation for the establishment of a Government Audit as a check on the Accounts of Assurance Societies:*

Want of a proper Government officer practically acquainted with the constitution and the practice of life assurance societies, and the principles upon which they proceed, and consequent want of proper information, on the part of the Government, as to the progress of these institutions, *Thomson* 865-867——Recommendation for the appointment of a Government officer, who should not interfere with the mode in which the company carry on its business, but simply to test the accuracy of the periodical balance-sheets; nature of the powers to be given to this officer, *ib.* 951-967——Power should be given to a Government auditor, or some public officer, to test the value of each account, *Pateman* 3131-3133. 3158-3161——Suggestion that under certain circumstances the accounts of assurance companies should be referred to a board of actuaries, consisting of not less than three persons, paid officers of the Government, and in no way connected with any assurance societies, *ib.* 3158——How far it would be practicable or expedient for Government to interfere in testing the accuracy of the returns of the numerous offices now existing, *Farr* 3320-3325.

2. *Objections to such an Audit being adopted:*

Objections to the interference of any Government authority in making a periodical investigation into the affairs of insurance offices, for the purpose of ascertaining their soundness; any advantages would be insufficient to compensate for the interference of any Government authority whatsoever, *Ansell* 785, 786; *Edmonds* 1377-1387. 1475; *Ryley* 2826, *et seq.*——Observations relative to the probable usefulness of having some check officer appointed, that should have some control or supervision over the accounts of the assurance offices, *Ansell* 858——Such officer should not have any right of interference until there was ground to suspect fraud, otherwise it would be interfering unjustly with private traders' affairs, *Edmonds* 1377-1402——Government interference is expedient in the case of railways, and a few other joint stock undertakings; but, as a principle, neither assurance associations, friendly societies, nor savings banks should be subject to any Government supervision, *Neison* 3692.

See also *Actuaries*, 1. *Frauds.*

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GUARANTEE FUND:

1. *Suggestions that all Assurance Companies should be possessed of a Guarantee Fund.*
2. *Objections thereto.*

1. *Suggestions that all Assurance Companies should be possessed of a Guarantee Fund:*

Recommendation that every mutual society should be possessed of a guarantee fund of not less than 10,000 *l.* at starting, to meet all liabilities that may occur before the premiums had accumulated, *Whitmarsh* 134, 135. 174–179. 234; *Taylor* 371. 428, 429; *Ansell* 858; *Thomson* 870–881. 1000–1008; *Downes* 1176 *et seq.*; *Higham* 2382–2398. 2471–2476. 2533–2535——For mutual companies a guarantee fund is the proper fund, *Whitmarsh* 151——In the event of the establishment of companies having a guarantee fund, they should not be called mutual companies, but should be recognised by a distinctive name, *ib.* 211–213——Provided all companies were bound to have a guarantee fund or paid-up capital, it would be a great bar to the establishment of unsound or bubble companies, *ib.* 235——The fund should be deposited in the bank in the name of the company, and it should be fenced with provisions that any attempt to have a more illusory payment should be punishable as a misdemeanor, *Taylor* 371–381——Although witness does not consider a capital necessary for a life assurance company, still as a matter of prudence it is desirable to have a guarantee fund to meet incidental losses, *ib.* 395–402——Life assurance companies should be recognised by law only on the terms of their giving an absolute guarantee to the persons who assure their lives for the amount of the policies, *ib.* 426, 427.

Grounds for the opinion that it is necessary that all insurance companies should have a guarantee fund, *Taylor* 466–476; *Higham* 2381 *et seq.*——There is not the same danger to the security of the public from other companies, as well as life insurance companies, not having some guarantee fund provided and paid up, *Taylor* 466–476——Remarks as to the guarantees which might safely be taken from the projectors of new assurance offices, so as to mark the *bonâ fides* with which they might be set on foot; some restriction should be established to prevent directors from borrowing back from the institution any part of the money which they might have paid to the guarantee fund, *Ansell* 858——Observations as to the amount of the required paid-up capital as a guarantee fund; manner in which it should be raised and invested, and the interest paid thereon, *Thomson* 1000–1008; *Downes* 1176–1198. 1212, 1213; *Ingall* 1900–1923; *Jellicoe* 2121–2137——The possession of a guarantee fund would be an inducement to prudent and calculating men to insure in those offices, *Downes* 1178. 1195. 1204–1206——The guarantee fund should be invested in the names of trustees; these trustees might be taken from the assured in mutual societies, and from the proprietors in companies having a share stock, *ib.* 1179–1181——Opinion that 10,000 *l* would be sufficient for a guarantee fund for the real security of the public, *ib.* 1199.

As competition increases among the offices, there is greater necessity for such a fund, *Edmonds* 1252–1256——Evidence generally with respect to the guarantee fund to be possessed by all assurance offices; amount necessary to form this fund, *Edmonds* 1252–1256; *Brown* 1608 *et seq.*; *Jellicoe* 2004–2010——The accumulated premiums might be applied from time to time to the release of the subscribed guarantee fund, *Brown* 1608–1643. 1711–1734——The guarantee fund should be paid up with regard to all new offices as a security for the *bonâ fide* intentions of the promoters; witness considers that would be quite as effectual as a deposit, *ib.* 1745–1748——The companies should receive interest on their deposit fund, but should only realise the fund with a view to the winding-up of their affairs, *Higham* 2391, 2392. 2398——The sum fixed on for caution-money should be the same in every case, *ib.* 2533–2535——Statement in illustration of the risk incurred by mutual assurance and benefit societies, if without other resources at commencement than the amount of premiums receivable, *Farren* 2817.

2. *Objections thereto:*

Objection to the proposition that assurance companies should pay into the hands of Government a certain sum of money as a guarantee of their *bonâ fide* intentions *Hornby* 2555–2565. 2596, 2597——It would be very unreasonable to require every mutual office to furnish a capital, or to lodge a guarantee fund with Government as security for its good faith, *Ryley* 2821–2826——Inconsistency of having a guarantee capital in a mutual assurance office, *Robertson* 3499.

See also *Expenditure*, 1, 2. *Institute of Actuaries.* *Mutual Offices.* *Paid-up Capital.* *Title-deeds.* *United States.*

H.

Higham, John Adams. (Analysis of his Evidence.)—Actuary of the Royal Exchange Assurance Office, 2360, 2361——The Royal Exchange is a proprietary office, but acts on the system of returning a portion of the profits to the assured, 2362——It was established in 1720, and is a sea, fire, and life assurance office, each of those branches being kept quite distinct

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Higham, John Adams. (Analysis of his Evidence)—*continued.*

distinct, 2363–2369——Evidence with respect to the working of the Act of 1844; it has accomplished both good and evil, but the good has greatly preponderated, 2370–2380——The evil produced by the Act has been, that assurance offices are now allowed the privilege of calling themselves a corporation on much too easy terms, 2371–2375——The main benefit derived from the Act of 1844 is the publication of accounts by the several officers, 2376–2379——Suggestion that every office should give a guarantee for the honesty of its intentions; remarks in explanation and support of this suggestion, 2381, *et seq.*

Every company should have a paid-up capital in the nature of caution money, and should pay, on an average, about 10,000 *l.* into the hands of a Government Board as a *bonâ fide* security for the assured, 2382–2398. 2471–2476. 2533–2535——The companies should receive interest on their deposit fund, but should only realise the fund with a view to the winding up of their affairs, 2391, 2392. 2397, 2398——Evidence in condemnation of the practice assumed by some assurance offices of making up their accounts on the principle of anticipating future profits and treating them as assets; this is an ample justification for legislative interference, 2399–2437. 2477–2514. 2526–2532——Suggestion that every assurance company be compelled to publish a simple statement of its assets and liabilities, without any comments on the value of the same; explanation of the mode in which this account should be drawn up; table produced in illustration thereof, showing the value of the liabilities of a life assurance company in terms of the annual premiums, 2438–2470. 2515–2525.

The cash statements of receipts and disbursements at present prepared by the companies might be discontinued altogether, 2439. 2440——Witness is opposed to the suggestion that the companies might deposit their title deeds with a public officer as a guarantee for good faith in lieu of their depositing a certain sum of money, 2473–2475——Opinion as to the advantage of proprietary over mutual institutions, 2476——The published accounts of assets and liabilities recommended by witness should be lodged with the registrar of joint stock companies, 2516——Recommendation of the preparation of the accounts in the form adopted by the Equitable Society, and mentioned in the report of the Committee of 1844; 2518–2520——The paid-up capital of a company should be in proportion to the probable amount of such company's engagement, 2533——The sum fixed on for caution money should be the same in every case, 2533–2535.

With respect to the Royal Exchange Assurance Office, it is the oldest in England except the Amicable, 2536, 2537——The three branches of sea, fire, and life assurance being undertaken by the company are a security to the public rather than otherwise, as the same machinery is sufficient for the working expenses of the three departments, 2539, 2540——The sea assurance branch of the office was, till lately, a loss to them; it is now profitable, 2541——Two thirds of the profits on all the life business of the Royal Exchange Office is returned to the assured, 2542——The company use Davis's Tables of Mortality, founded on the experience of the Equitable Society, 2543——Rate of interest assumed by the company in calculations for the improvement of capital, 2544, 2545——The paid-up capital of the Royal Exchange Office is a little under 700,000 *l.*, 2546.

Though none of the paid-up capital has been spent in the payment of losses, &c., there are still certain special contingencies which ought to be provided against, 2547–2549——The repudiation of the national debt is a possible contingency in favour of the expediency of a paid-up capital, 2548, 2549——Objection to assurance companies making returns to Government of the amount of duty on life policies, in the same way that returns are made on fire policies; the information thus afforded to the public as to the amount of business carried on by life assurance offices could not be relied upon, 2550–2554.

Hope Reversionary Life Interest Company. Reference to the "Hope Reversionary Life Interest Company," as having been projected by R. W. Morris, under the name of Denison, *Pateman* 3048.

Hornby, John. (Analysis of his Evidence.)—Objection to the proposition that assurance companies should pay into the hands of Government a certain sum of money as a guarantee of their *bonâ fide* intentions, 2555–2565, 2596, 2527——The Prince of Wales Office, to which witness is actuary, is a proprietary office, with a paid-up capital of 10,000 *l.*, the subscription capital being 200,000 *l.*; the company has been established about 18 months, 2556–2565——Evidence in favour of a small paid-up capital, not as a guarantee fund, but because the business will increase much more rapidly with money than without it, 2561, 2562. 2565——Advantages of assurance companies investing their money in other than Government securities; the higher rate of interest thus obtained is much more than commensurate with any risk that may be run——2565–2577.

Approval of Mr. Higham's suggestion that every company should furnish a simple statement of their assets and liabilities; the present mode of compiling the accounts is not satisfactory, 2578–2580. 2588, 2589——Justification of the large expenditure by some offices; they can afford to spend every year the whole premiums arising from their

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Hornby, John. (Analysis of his Evidence)—*continued.*

new business, 2581-2586——It is very desirable to disabuse the public mind of the uncertainty now existing with respect to assurance societies; expediency of the Committee issuing a report recommending fresh legislation, 2588-2600——Whatever terms or restrictions are adopted by the Legislature, they should be extended alike to all the companies; the Act of 1844 should be either repealed, or else should be universally applied, 2593-2600.

I.

Imperial Life Assurance Company. The Imperial is a proprietary company; date of its establishment; amount of the capital paid up at the time of starting business; the whole of that capital has been kept intact, *Ingall* 1751-1758. 1870-1873——Act of Parliament obtained by the Imperial Company in 1851, to enable them to alter the mode of appropriating its profits, and to regulate its other proceedings, *ib.* 1874-1878.

Independent Assurance Company. Losses inflicted on the policy holders of the "Independent Assurance Company," which is now winding up its affairs, *Pateman* 3172-3178.

Independent West Middlesex Assurance Company. The inexpediency of a paid-up capital is shown by the fact that the "Independent West Middlesex Company," which was a fraudulent office, had a capital of 10,000 *l.* in the Bank or England, *Robertson* 3441-3446.

India. Remarks relative to the Act passed in India in 1850, with regard to the management of joint stock companies; one provision of this Act, called an adjudication of forfeitures, is worthy of being imitated, *Thomson* 949, 950.

Indisputable Assurance Office. Provision for guaranteeing claims made by the directors of the Indisputable Office, *Robertson* 3420-3423.

Industrial Life Assurance and Provident Society. The last office projected by R. W. Morris, under the name of Denison, was the "Industrial Life Assurance and Provident Society;" prospectus thereof produced; frauds committed in Ireland by this company; how far their Limerick agent, William Wright, may have been culpable in the matter; *Pateman* 3050, 3051. 3073-3077.

Ingall, Samuel. (Analysis of his Evidence.)—Actuary of the Imperial Life Assurance Company, 1749, 1750——The Imperial is a proprietary company; date of its establishment; amount of the capital paid up at the time of starting business; the whole of that capital has been kept intact, 1751-1758. 1870-1873——Opinion that a paid-up capital in the first instance is quite indispensable to the safe establishment of assurance offices, 1759-1764. 1896-1912——The premiums and receipts of an office ought in the long run to be equal to its liabilities without the aid of any paid-up capital, and in a well-conducted office it would be so, 1760-1766——One test that would enable the public to judge of the security of assurance offices would be, that one-half of the premiums received on existing policies should be in hand at any future time, 1767, 1768.——Proportion that the cash in hand, or the assets of a company, should bear to the existing liabilities of the office, 1769-1783. 1879-1882.

The larger proportion of the policies are effected for the whole term of life; there is much greater variety in the character of policies than there used to be, there being a greater number of temporary policies, 1777-1779——In order to speak positively as to the condition of an office witness would require a statement of the ordinary assurances, with the premiums payable upon them at different ages, distinguishing the cases of special risk; those particulars would enable him to give an opinion of the solvency or insolvency of the office, 1784-1793——Great difference of opinion among actuaries as to the principles on which the surplus or supposed profits of an office should be arrived at for the purpose of distribution among its shareholders as a bonus; chief grounds on which this difference of opinion exists, 1794-1806——Opinion that next to an improvident expenditure, the premature return of what is in modern times termed profits or surplus, and its division as bonuses is the most dangerous thing that can be resorted to in an assurance company, 1806, 1807.

Observations as to the mode in which calculations are made of the assets of assurance companies; the office is justified in computing its existing condition according to the actual risk and the best tests of life which they can obtain, provided they do not include in their future assets any portion of the margin set aside for loading or expenses, 1808-1823——It is customary for offices to reduce their rates of premiums from time to time, 1812——Opinion that a very large proportion of the offices act on very sound and safe principles, 1825.——A return of the amount of assets and liabilities of an assurance company would immediately show whether the office was proceeding on a safe basis or not, from the exhaustion of their means in proportion to their liabilities, 1826-1839————If the expenses of management be more than one-sixth of the amount of premiums for any length of time, the office could not be safe to be doing profitably, and if the expenses amounted to one-third of the annual premium, they would be going on in a very bad way, 1837. 1860, 1861.

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Report, 1852-53—*continued.*

Ingall, Samuel. (Analysis of his Evidence)—*continued.*

Witness considers it a very important element of any account to be annually returned that the amount of premiums should be clearly shown, and the amount of all expenditure clearly set forth, 1840——Opinion that the return of a few simple facts would be better than any stated form of account, viz., the total amount of the liabilies of an office, the total amount of assets, the amount of annual premiums, and the amount of annual expenses; if these facts were given by different officers, the public would be able to form a very good idea of the relative safety of the several offices, 1841-1848. 1883-1890—— It is important that the company should furnish an account of how their funds are invested, and the rate of interest, 1849, 1850. 1891-1896——Remarks relative to the profits of assurance offices; the public form very exaggerated notions of the profits on life assurance, 1851-1854——The abandonment of policies by assurers is a gain to the office; but if the office anticipates its future policies, then the office would lose by the dropping of an assurance, 1855-1859.

Although the returns made to the Registrar of Joint Stock Companies contain a great deal of useful information, they might be greatly improved, 1862-1869——Act of Parliament obtained by the Imperial Company in 1851 to enable them to alter the mode of appropriating its profits, and to regulate its other proceedings, 1874-1878——Observations as to the amount of the required paid-up capital as a guarantee fund; manner in which it should be raised and invested, and the interest paid thereon, 1900-1923——Remarks as to the portion of profits given off by assurance companies to the assured as bonuses, 1924-1926——Particulars extracted from the returns in the Registrar's office, showing the receipts and expenditures of twenty-eight offices established since 1844; large amount which the expenditure bears to the receipts of these offices, 1927-1944—— Witness believes that mutual societies invariably have a clause in their policies confining the liability of the company to the funds in hand; this destroys altogether the implied virtue of mutual associations, 1945-1955.

In proprietary companies, the proprietors are liable to the full amount of their subscribed shares, and some even without limit, 1956, 1957——With regard to mutual societies, if they make a premature division, that is, if they consider as surplus the whole amount of assets they have in hand, which is the case in many, they may bring themselves into a very disastrous condition, 1958-1960——It would be a very wholesome regulation if it were made a condition that nothing should be treated as profits that was not capable of being paid in cash, 1960-1964——Life assurance has not been sufficiently long practised in this country, in the varieties of forms in which it now exists, to have been worked out to a satisfactory conclusion as a proof and evidence of the soundness of the principles on which it is established, 1965-1967——Witness considers the offices are very deficient in the materials for properly estimating the premiums, 1967.

There is a growing desire on the part of the existing offices to make their returns more public, and less disposition to withhold from the public information which they would have objected to furnish some years ago, and which would enable actuaries to determine what is the true rate of mortality among assured lives, 1968-1973——The old offices would be very willing to satisfy the Government that they were in a sound condition; but having once done that, they would consider it vexatious to be obliged to make an annual return, 1974-1977——Great advantage would result from the assurance offices making such returns to the Institute of Actuaries as would enable them to determine what is the true rate of mortality, and form a general table; opinion that the institute would be willing to undertake it, 1978-1988.

[Second Examination.]—Observations as to obtaining returns of the mortality of assured lives through the Institute of Actuaries; proposed appointment of a committee of actuaries expressly formed for the purpose, 1989——Proportion of the premiums on existing policies which should be retained as a safe reserve, 1989-1991.

Insolvent Offices. There are many life assurance offices established since 1844, which witness considers in an unsound state, and of which it would be better to wind up the affairs, *Thomson* 1035-1048.

Inspection of Returns. The public may inspect any returns or papers which are transmitted to the Registrar's office on the payment of 1*s.*; the examinations are very numerous, *Whitmarsh* 106-109——Facility with which the returns relating to any particular office can be referred to in the Register Office, *ib.* 180, 181.

Institute of Actuaries. Great advantage would result from the assurance offices making such returns to the Institute of Actuaries as would enable them to determine what is the true rate of mortality, and form a general table; opinion that the institute would be willing to undertake it, *Ingall* 1978-1988——Observations as to obtaining returns of the mortality of assured lives through the Institute of Actuaries; proposed appointment of a committee of actuaries expressly formed for the purpose, *ib.* 1989——Evidence as to

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Institute of Actuaries—continued.

the special meetings held by the Institute of Actuaries for the purpose of discussing the whole question before this Committee; resolutions come to upon the subject; these resolutions were concurred in almost unanimously, *Jellicoe* 1995-2000. 2019-2046——Remarks as to the constitution of the Institute; number of members belonging to it; there is but one Institute of Actuaries, *ib.* 2021-2027——Members of the Institute undergo an examination; witness would not require any further test of qualification from them; actuaries, not members of the institute, passing an examination, should have a certificate of qualification, *ib.* 2110-2115——Strong feeling existing among the members of the Institute against Government interference with respect to the formation of new assurance companies, *Colvin* 3582-3584——The Institute of Actuaries are almost exclusively opposed to the proposal that each office should deposit with Government a large deposit as a security to the public, *ib.* 3584-3586.——*See* also *Actuaries. Scotland.*

Investigation of Affairs. Periodical investigations into the affairs of insurance offices might be maintained and valuations made, but at very great expense, *Finlaison* 628-643 ——Remarks relative to a proposed system of confidential and secret investigation into the affairs of insurance offices as a means of testing their solvency; such a confidential investigation would necessarily be more satisfactory, not only to the directors themselves but to the public at large, *ib.* 628-646——Witness knows no means of increasing public confidence in these institutions, unless it were founded upon some method of confidential visitation; how far the result of these investigations and valuations should be published to the public, *ib.* 650-656——If a confidential visitation of insurance offices were established, the result of it might be laid before Parliament, to show the progress of insurance generally, but not the individual concerns of each office, *ib.* 679-681.

See also *Audit of Accounts. Valuation of Assets.*

Investment of Capital. There is no doubt that the insurance offices make a higher rate of interest on their capital than that paid upon the public funds; witness advises all offices to sell out their money in the funds, and invest it in railway debentures and other securities, *Finlaison* 594. 600-611——The rate of interest which an insurance company can obtain upon its investments must depend upon the comparative security of the different investments which the office makes, *ib.* 605-607——Remarks relative to the rate of interest obtained by insurance offices; if the institutions have the means of making a high rate of interest, they would be warranted in taking lower rates of premiums, *Ansell* 841-843——Observations with respect to the rate of interest received by the assurance companies in Scotland; the highest rate has been 5, and the lowest 3½ per cent., *Thomson* 1070-1083——Statement of the rates of interest on landed security received by the trustees of the fund for a provision for the widows and children of the ministers of the Church, and of the heads, principals, and masters of the universities of Scotland, *ib.* 1074——Statement of the rates of interest on the loans on landed security made by the trustees of the writers to the Signet Widows Fund, *ib.*——It is important that each company should furnish an account of how their funds are invested, and the rate of interest, *Ingall* 1849, 1850. 1891-1896——Advantages of assurance companies investing their money in other than in Government securities; the higher rate of interest thus obtained is much more than commensurate with any risk that may be run, *Hornby* 2565-2577.

See also *Assets and Liabilities. Exchequer Bonds. Foreign Funds. Guarantee Fund,* 1. *Public Funds.*

Ireland. Remarks relative to life insurance in Ireland; evils arising from the courts in Ireland requiring no proof that the proprietor of a policy had any interest in the life, *Finlaison* 617——Explanation of the difference between the law in England and in Ireland, as applied to assurance societies, *Fitzgerald* 3184, 3185——Considerable litigation which is carried on in Ireland, on the subject of assurance policies; this is entirely due to the careless and competing system pursued by English companies in effecting assurances, *ib.* 3186-3200——Instances frequently occur of persons being put forward to assure their lives, and afterwards to transfer the policies to others, for small sums of money; speculative character of this proceeding, *ib.* 3186-3189. 3206-3218——The litigation has been almost entirely confined to the English offices; the verdict is generally against them, unless they succeed in compromising the case, *ib.* 3193-3200——The law in Ireland with respect to assurance offices is administered just as well as in England, and on the same principles, *ib.* 3200——Some benefit would result if the Irish law were made perfectly similar to that of England, but under any circumstances there would be ample opportunities for speculation and undue practices, *ib.* 3201-3218.

J.

Jellicoe, Charles. (Analysis of his Evidence.)—Actuary of the Eagle Assurance Company; member of the Institute of Actuaries, 1992-1994——Evidence as to the special meetings held by the institute, for the purpose of discussing the whole question before this Committee;

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Jellicoe, Charles. (Analysis of his Evidence)—*continued.*

mittee; resolutions come to upon the subject; these resolutions were concurred in almost unanimously, 1995-2000. 2019-2046——Opinion that the present Act is insufficient, and has an invidious effect upon certain insurance offices; one common Act should be passed, the provisions of which should be made applicable to all existing societies, and framed in such a way that, consistently with their various deeds of settlement, they should be able to register under that Act, 2001-2003——A paid-up capital or guarantee fund should be insisted upon in every case previous to a new office being established, 2004-2010.

It is most essential that some test should be required from actuaries, as to their fitness to practice, 2011-2018——Remarks as to the constitution of the Institute of Actuaries; number of members belonging to the institute; there is but one Institute of Actuaries, 2021-2027——With regard to publishing accounts, if one office be called upon to do it, all offices ought to be called upon; there would be little or no objection, 2044-2047—— In furnishing accounts witness has no faith in any uniform form; the character and nature of the accounts should be left to the offices themselves; it would be possible to give some general features and facts as to the condition of the office, and an outline of the mode in which they transact their business, 2048-2059.

Particulars relative to the meetings of a considerable number of important offices in Scotland, with reference to the contemplated amendment of the law regarding life assurance associations; copy of the resolutions agreed to, 2060-2070——In those resolutions they agree with the Institute of Actuaries, 2063-2066——Great importance of the proper qualifications of the actuary in the conduct of the office; the whole foundation of the office must depend on whether the calculations themselves are made on an accurate or inaccurate basis, 2071-2092, 2157-2169——A number of new assurance companies have been established of late without any paid-up capital, so that whether the company prospered or failed they had nothing to lose, 2081——How far the actuaries, as a body, would be willing to submit to an examination as a proof of their qualification, 2085-2089.

Any form of account that might be adopted for showing the public at once the condition of a company as to its solvency, would be liable to constant evasions and fraudulent statements, 2093-2101——In any account that was published, it would be essential that the assets of the company should be stated in such a mode as to show of what they consisted, 2102-2106——Witness places more reliance upon the efficiency of the actuary for the proper conduct of an assurance office than on anything else, 2107-2109—— Members of the Institute of Actuaries undergo an examination; witness would not require any further test of qualification from them; actuaries not members of the institute passing an examination should have a certificate of qualification, 2110-2115.

Remarks relative to the Bill prepared by the Institute of Actuaries, with a view to carry out the proposition that some test should be required from actuaries as to their fitness to practice; preamble, and heads of the several clauses of this Bill read, 2116-2118——Large number of actuaries of life assurance offices who are not members of the institute; testimonial obtained by them from other actuaries on their appointment to an office, 2119, 2120——Manner in which the proposed guarantee fund of 10,000 *l.* should be raised and invested; interest to be paid to the parties subscribing the capital, 2121-2137——Observations as to the usual allowance to directors of assurance offices; very commonly the gross amount of the fund set apart for the directors is distributable according to the number of their attendances, 2126-2136.

It would be very desirable that the Government should have the regulation of the persons practising as actuaries, and that no person should be enrolled until he had satisfied such conditions as the Government thought sufficient, 2137-2145. 2150, 2151 ——Observations with reference to the mode of valuing lives; an actuary who understood his business would know that he could only judge of the sufficiency of the premiums to cover the risks thereafter, by understanding what rates of mortality and interest had been previously adopted under as nearly similar circumstance as possible, 2146-2150 ——Remarks relative to the tables of mortality used by assurance offices; the Carlisle table is very commonly used, 2152-2156.

Observations as to the duties performed by the solicitors to assurance offices; the duties of the solicitor are of a totally different kind to those of the actuary; advice given by the solicitor in cases of loans made on mortgages, &c., 2170-2190——Evidence relative to the mode in which witness would propose to value the assets of assurance offices; statement of witness's views with regard to valuing the gross premiums; a company has no right to take credit for the gross premiums without making any deduction either from the premiums, or from the gross amount of its apparent assets for future expenses or contingencies, 2191-2214.

Joint Stock Companies. See *Cost Book Principle. Government Audit. Names of Companies. Number of Companies. Registrar of Joint Stock Companies.*

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Joint Stock Companies Act:

1. *Generally.*
2. *Remarks as to the Defects in the Act of* 1844.
3. *Suggestions for the Amendment of the Act.*

1. *Generally:*

The object of the Act of 1844, was the general registration of companies of every description; no company was to be established without being provisionally registered, *Whitmarsh* 6–8. 154–158——Statement of the most important provisions of the registration of Joint Stock Companies Act of 1844; there has been no difficulty in carrying the rules thereby established into execution, *Taylor* 265–267 ——Evidence with respect to the working of the Act of 1844; it has accomplished both good and evil, but the good has greatly preponderated, *Higham* 2370–2380——The main benefit derived from the Act of 1844 is the publication of accounts by the several offices, *ib.* 2376–2379—— The operations of the Joint Stock Act have brought into existence a vast number of assurance offices and banks, which without it would never have been established; if these institutions should fail, Parliament is morally responsible for the losses to the shareholders, *Ryley* 2820. 2884, 2885——With respect to this country, the Act of 1844 has certainly led to a considerable increase of assurance offices, but they have been of a very weak character, *Neison* 3671–3676.

2. *Remarks as to the Defects of the Act of* 1844*:*

Statement of the Committee that it appears that the law as it now stands is extremely defective, and that the provisions of the Act of 1844 are very imperfectly carried out; many of these provisions the Registrar has no power to enforce if not complied with, *Rep.* iii ——The Act of 1844 is incomplete in many respects, and has not worked efficiently, *Thomson* 863 *et seq.*——Opinion that the present Act is insufficient, and has an invidious effect upon certain assurance offices; one common Act should be passed, the provisions of which should be made applicable to all existing societies; and framed in such a way that, consistently with their various deeds of settlement, they should be able to register under that Act, *Jellicoe* 2001–2003——Grounds for the opinion that the working of the Act of 1844 requiring the registration of assurance offices, has not been satisfactory, *Neison* 2221 *et seq.*——The evil produced by the Act has been that assurance offices are now allowed the privilege of calling themselves a corporation on much too easy terms, *Higham* 2371–2375——A certain number of restrictions are imposed by the Act, but there are no means of insisting on a due observance of such restrictions, *Pateman* 3180 ——Objections to the Act of 1844; it has had a very hurtful effect, inasmuch as it gives a false credit to assurance offices, and facilitates the establishment of fraudulent companies, *Robertson* 3397–3406. 3449 *et seq.*

3. *Suggestions for the Amendment of the Act:*

Remarks of the Committee as to the differences of opinions and views entertained by the two great classes of offices; the one including those established since the passing of the Act of 1844, and completely registered under that Act, and the other those established prior to that date and not so registered; it would be to the advantage of the offices themselves, as well as to the public at large, if all insurance companies could be brought under one law, *Rep.* iv——Observations of the Committee as to the mode in which it is desirable to deal with the present Joint Stock Companies' Act, so far as relates to insurance companies, *ib.* v, vi——Opinion of the Committee that the business of assurance companies differs so much from ordinary business, that it will be advisable to repeal all the provisions of the Joint Stock Companies' Act so far as they relate to assurance societies, and to deal with them in a separate Act, *ib.* vi.

Suggestion that a separate Act should be applied for, applicable exclusively to the registration of assurance associations, *Thomson* 869, 870. 996——The interests of insurance societies would be greatly benefited by a repeal of the Act of 1844, *Neison* 2238–2240, 2334, 2335——Whatever terms or restrictions are adopted by the Legislature, they should be extended alike to all the companies; the Act of 1844 should be either repealed, or else should be universally applied, *Hornby* 2593–2600.

See also *Amendment of the Law.* *Fraudulent Companies.* *Penalties.*

L.

Lapsed Policies. Observations with respect to lapsed policies; there is an erroneous impression on the public mind as to the profit an office makes on lapsed policies, *Downes* 1107–1113——Damaging effect of lapsed policies upon the consideration of assets and liabilities; but very few people now allow their policies to lapse, *ib.* 1155–1164. 1170, 1171——Opinion that too large a return is given by the offices for lapsed policies, *Robertson* 3438.——*See* also *Abandonment of Policies.*

Legislative Interference. Observations of the Committee as to how far it is advisable for Government to interfere with regard to assurance offices; the principles of interference and

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Legislative Interference—continued.

and non-interference have both been ably contended for by different witnesses, *Rep.* v—— Witness is not aware of any evils with regard to life insurance offices which the Legislature could remedy, *Finlaison* 647, 648——Were the Legislature to propose such regulations as would give to assurers the full means of judging of the condition of the fund in which they were beneficially interested, it would not be an undue interference with trade, but would be very beneficial, *Edmonds* 1321-1332——Grounds for the opinion that Government interference is necessary with regard to assurance offices, but witness would not recommend such interference unless upon a requisition by a certain number of policy-holders, *ib.* 1509-1513——There should be no interference on the part of the State with the practical management of assurance societies, *Neison* 2223-2263——It is very desirable to disabuse the public mind of the uncertainty now existing with respect to assurance societies; expediency of the Committee issuing a Report recommending fresh legislation, *Hornby* 2588-2600——Parliamentary legislation on the subject of assurance societies has been productive of great mischief, *Ryley* 2820——The community at large would be much safer without any Government interference whatever, *ib.* 2861. 2887——Parliamentary interference with assurance offices is both ineffective and undesirable; in proportion as Government interfere the public will become more careless, *Colvin* 2903-2907.

See also *Continental Assurance Companies.* *Friendly Societies*, 1.

Liabilities. It will not be safe to assume as at all generally true that institutions get to a tolerably uniform position with respect to their future liabilities, *Ansell* 850-852——There would be no particular difficulty in fixing some uniform table of mortality and some rate of interest which might be adopted by all assurance offices in estimating their liabilities under the policies they may have in force; but witness doubts the advisability of obliging all offices to adopt the same data for the same object, *ib.* 858.

See also *Assets and Liabilities.*

Life Assurance. Great injury would be done to the country in not encouraging life assurance to the utmost extent, *Finlaison* 618——The extent to which life insurance has been carried is very great, but it might be vastly extended, *ib.* 657-659——The business of life assurance societies is conducted with integrity and safety, and the claims of the assured have always been liquidated, *Neison* 2306, 2307——There is a great and growing demand for life assurance and no obstacles should be offered to the proper supply of such demand, *Colvin* 2937——The progress of life assurance offices has been very rapid during the present century, and the character of the business has greatly improved upon what it formerly was; causes to which this increase and improvement are attributable, *Farr* 3225-3243——Life assurance will be adopted much more extensively than it is at present, *ib.* 3265——The clause in the Income Tax Act with respect to life assurance has given a great impetus to business, *ib.* 3265. 3287-3290.

Limited Liability. Clauses have been introduced in the deeds of settlement limiting the claims of any parties under a mutual assurance company to such an amount of fund as shall actually be in hand at the time of such loss occurring; instance of this where a company's balance sheet showed above 300,000 *l.* of risk and only about 700 *l.* actually in hand, *Whitmarsh* 90, 91——Witness has only allowed the limitation of risk to the amount of the funds in hand, in the case of mutual offices, and not in the case of proprietary offices, because in the latter case limiting the liability would be contrary to law, *ib.* 110-127. 182-202——Opinion that special provision limiting the liability in a mutual insurance company is inconsistent with the fundamental principle of mutual insurances, *Whitmarsh* 132, 133; *Taylor* 421-423; *Ingall* 1945-1955——It should be declared illegal to introduce any clause in a mutual societies' deed which should limit the claims to the amount of capital that happened to be in the possession of the company at the time of the loss, *Whitmarsh* 135——Stipulating in the deed of settlement of a mutual company that the claimants were only to look to the fund in hand for the payment of their claims, is practically a limitation of the liability of the partners, and entirely contradictory to the professed objects of the society, *ib.* 151-153——Objection to a provision being contained in the deeds of mutual companies limiting the claims to the amount in hand; as it deprives the assurers of the security to which they ought to be entitled, *ib.* 170-174.

All policies of mutual companies limit the liability of the company to the amount in hand, *Whitmarsh* 187-197; *Ingall* 1945-1955——There has been but one deed of settlement registered of a mutual assurance company with a provision confining the claimant under a policy to the fund which may be in hand at the time when the policy becomes a claim; how far such provision is inconsistent with the principle of mutual insurance, *Taylor* 403-405——Opinion that special stipulations contained in policies limiting the liability of the company should be declared illegal, *ib.* 419——Provided a clause was inserted in a deed establishing a proprietary company limiting the liability of the company, it would be struck out by the registrar, *ib.* 420——Clauses are contained in most policies of insurance limiting the liability to the amount of the funds in the hands of the office; witness questions the legality of these clauses, *Finlaison* 676-678.

See also *Unlimited Liability.*

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Loans. Remarks with reference to the borrowing of money by life assurance companies; a minimum sum should be fixed, below which they should not be allowed to take up money, *Thompson* 987, 988——Frequency of life insurances being effected in cases of loans to protect the party advancing the money, as also to secure money settled on the children of a marriage subsequently to take place; the office in such cases is in the position of a trustee for the parties beneficially interested, *Edmonds* 1322-1332. 1488-1500, 1509——Observations as to the loans made by assurance offices; the rate of interest charged is in proportion to the risk, *ib.* 1350-1354.

London Marine Brokers Society. Remarks on the establishment and dissolution of the "London Marine Brokers Society," which was projected chiefly by T. N. Burnand; it has not been brought under the winding-up act, but all the persons who have claims have lost their money, *Pateman* 3028-3041.

M.

Management. Opinion that so much depends upon the discretion and good management of an insurance office, that witness would place no confidence in any check that could be obtained by any system of accounts, *Finlaison* 618——In the case of a life assurance society, very great injury may result to innocent parties by a recklessness of management, *Downes,* 1222——No amendment is required in the internal management of the offices, *Edmonds* 1368——With proper skill and prudence in the management of an assurance office there is no insecurity to the assured; the public may have every confidence in the present management of such institutions, *Neison* 2354-2357——Remarks on the management of mutual offices as contributing much towards their success; different principles of management adopted in proprietary offices; advantage of the assured having the control over their own affairs, *Robertson* 3505-3534.

See also *Capital. Expenditure. Legislative Interference. Mutual Offices. Public, The.*

Marine Assurances. Remarks in reference to the companies for insuring ships in many of the outports analogous to mutual assurance companies, *Whitmarsh,* 130, 131.

Medical and Invalid Life Assurance Office. Statement that the Medical and Invalid Office was established for the purpose of assuring diseased lives at fixed rates of premium, *Neison,* 2217-2220.

Merchant Traders' Ship Loan and Insurance Association. Establishment and winding up of the "Merchant Traders' Ship Loan and Insurance Association;" names of the directors; there are claims to the amount of 80,000 *l.* for marine insurances still unpaid, *Pateman* 2976-2985——The chief promoters of this association were Augustus Collingridge and John Newman Burnand, the directors having been victims of Collingridge, *ib.* 2977, 2978.

MORTALITY:

1. *Generally.*
2. *Papers laid before the Committee.*

1. *Generally:*

Some assurance associations apply themselves by preference to the assurance of lives in different professions and pursuits; there is no great difference in the rate of mortality in the selection of any class; one uniform life table may be taken as applicable to all establishments, *Ansell* 836-840——Evidence generally with respect to the mortality in this country; increase of mortality that has been going on since 1816, as shown by all the mortality registers, *Edmonds* 1407-1421——Remarks as to the longevity of the populations with regard to the lower orders a very great improvement has taken place, *Edmonds* 1434-1436. *Brown* 1703-1709——The longevity is greatest in the agricultural population, *Edmonds* 1434-1436——The mortality in the Equitable Society is less than the average in its earlier years and greater the longer it continues, even out of persons existing at the same age, *Brown* 1709, 1710——Observations with reference to the mode of valuing lives; an actuary who understood his business would know that he could only judge of the sufficiency of the premiums to cover the risks thereafter, by understanding what rates of mortality and interest had been previously adopted under as nearly similar circumstances as possible, *Jellicoe* 2146-2150.

2. *Papers laid before the Committee:*

Table showing the mortality according to age and duration of membership, experienced in the "Equitable" and "Amicable" Assurance Societies, compared with the Carlisle Tables of mortality at ages two and three years older respectively, *Edmonds* 1422, 1423——Table showing the combined experience of the Equitable and Amicable Assurance Societies among all their members of more than five years standing, with which is compared

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MORTALITY—continued.

2. *Papers laid before the Committee*—continued.

pared a theoretical table, whereof the mortality under the age of 52 years increases uniformly at the rate of three per cent. per annum, and the mortality above that age at the rate of eight per cent. per annum, *Edmonds* 1423-1426——Table showing the annual mortality per cent., according to age, of the female populations of England and Sweden, observed at four different periods; also exhibiting, for comparison, the results of Dr. Heysham's Carlisle observation, and the results of two theoretical tables, deducted from a uniform law of mortality, *ib.* 1433——Table showing the annual mortality per cent. according to age of the male and female population of England; of Cheshire and Lancashire, and of twelve of the healthiest large towns in England during the seven years, 1838 to 1844; also exhibiting, for comparison, the mortalities of corresponding ages, deducted from three theoretical tables, *ib.*

Table showing the mortality per cent. in the Equitable Assurance Society between quinquennial periods of age, out of 100 persons existing at each period, and admitted respectively at intervals preceding, increasing by five years, *Brown* 1709——Table showing the decrement per cent. through death in successive periods of five years of age, experienced in the Amicable and Equitable Life Assurance Societies, among those whose membership exceeded five years and fifteen years respectively; with which is compared the mortality at the same age contained in the Swedish and the Carlisle Tables, *App.* 378——Table showing in successive decennial periods, from 1700 to 1850, the average annual rate per cent. of births, deaths, and increase of the total female population of England, *ib.*

See also *Institute of Actuaries. Premiums. Tables.*

Mutual Life Assurance Society. Remarks relative to the establishment of the Mutual Life Assurance Society on the purely mutual principle; sufficiency of the premiums to meet all expenses; amount guaranteed by the directors; there has been no necessity to call for this fund, *Brown* 1515-1522. 1743, 1744——The Mutual Company registered themselves under the Act of 1844 in the manner required for all existing companies, *ib.* 1595-1604.

Mutual Offices. Remarks relative to mutual assurance companies; it is a very sad state of things that when a mutual company is established there is no fund whatever to answer any loss that may arise, *Whitmarsh* 87-91——Witness looks upon mutual companies at the outset as a perfect humbug; impossibility of their meeting any immediate loss when they stipulate that it shall only be paid out of the premiums when they have accumulated, *ib.* 127-129——Number of mutual assurance companies registered; some of these have felt themselves under the necessity of establishing a guarantee fund, *ib.* 177-179——Witness does not know of an instance of a mutual company failing to meet its engagements, *ib.* 203-208——The Mutual Society has no subscribed capital, and the only guarantee that they have beyond the premiums in hand from time to time is the liability of the whole partners to each other, *ib.* 210.

Instances have occurred in which claimants upon a mutual assurance office have failed to secure the payment of their claims, *Taylor* 411-419——Opinion that Government should interfere to prevent the risk run by persons joining mutual assurance institutions without knowing anything of their constitution and management, *Thomson* 1063-1065——Witness is not aware of any of the mutual offices being possessed of a paid-up guarantee fund, *Downes* 1207 1211——Great number of mutual companies that start without a guarantee fund, the insurers in which have no security except the balance of premiums in hand, *Brown* 1543, 1544. 1576-1579. 1735——Many mutual offices have been provided with a guarantee fund by the directors or promoters, although no mention of it has been made in the prospectuses, *ib.* 1736-1741.

The capital at first employed in mutual offices is either contributed by the directors, or is raised on shares on the proprietary principle; but under a provision for the repayment of such shares, thereby converting the company into a mutual one, *Neison* 2319-2322. 2336-2339——How far there may be any greater security or advantage to the assured in a proprietary office than in a mutual one; for some purposes a mutual office is quite as secure as any other, *ib.* 2326-2333——In a mutual company the risk is entirely amongst the assured, but the Legislature would be justified in preventing the possibility of such risk, by compelling all assurance offices to adopt the same protective measures, *Farren* 2708-2720——For the last twelve years or so the public have been rather in favour of participation profits, or mutual offices, *ib.* 2732.

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Number of Companies. It appears by a return from the office of the Registrar, that since the passing of the Act in 1844, no fewer than 311 insurance companies of various kinds have been provisionally registered, of which only 140 were completely registered, and of which only 96 continue to exist, *Rep.* iv——Statement of the total number of joint stock companies completely registered under the Act of 1844; showing the number dissolved and the number actually in existence at the present time, *Taylor* 290–293. 445–455——Number of proprietary and mutual companies in existence at the end of 1852; total number of companies established since 1844, *Brown* 1529. 1543——Opinion that the number of assurance offices is too large for the amount of business; if the same increase goes on for the next two years it might become an important question to be assured, *ib.* 1605–1607——Number of life assurance companies, according to date of formation, existing at the end of 1852, proprietary and mutual, with the nominal capital and nominal amount paid up of the former, *ib.* 1683——*See* also *Registered Companies.*

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P.

PAID-UP CAPITAL:

1. *Recommendation that no New Company should be allowed to commence Business without a Paid-up Capital.*
2. *Objections to the proposal, that all Offices should have a Paid-up Capital.*

1. *Recommendation that no New Company should be allowed to commence Business without a Paid-up Capital:*

Opinion of the Committee that no new company should be admitted to complete registration until a capital shall have been subscribed and actually paid up, of at least, 10,000*l.*, and which shall be invested in the public funds under such regulations as Parliament may deem fit to enact, *Rep.* vi, vii——Suggestion that all assurance associations should be compelled to have a paid-up capital before commencing business, whether on the proprietary or mutual principle, as a test of their *bonâ fide* intentions, *Taylor* 367, *et seq.* 430; *Ansell* 795–807; *Thomson* 870–881; *Ingall* 1759–1764. 1896–1912; *Neison* 2297. 2298; *Farren* 2619–2673. 2708 *et seq.*——All insurance offices on starting should be possessed of a capital of about 15,000*l.*, *Finlaison* 682——Opinion that 30,000*l* would be a small sum compared with the capitals which have been raised by the existing companies, *Ansell* 795–807——Incompleteness of the Act of 1844 in the absence of any provision as to the amount of capital to be paid up, and the want of sufficient provision as to stock and shares generally, *Thomson* 865.

A number of new assurance companies have been established of late without any paid up capital, so that whether the company prospered or failed they had nothing to lose, *Jellicoe* 2081—— It is quite possible that a mutual office might be formed having no capital, and yet without expense or insecurity, provided there is a sufficient number of persons willing immediately to assure their lives therein, *Neison* 2286–2288——Objection to the paid-up capital being lodged with some Government officer as a security for the good faith of the company, *ib.* 2301–2304. 2341——The paid-up capital of a company

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2. *Objections to the proposal, that all Offices should have a Paid-up Capital:*

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The policies of fraudulent companies, being mostly issued unstamped, cannot be sued upon or given in evidence in a court of law, 3059, 3060——There are many claims for fire and life policies unpaid, but the chief loss through the societies mentioned by witness has been on marine policies, 3061-3064——There has been no transfer of business from fraudulent offices to *bonâ fide* ones, otherwise the assured would not have been sufferers, 3065-3067——The first premium alone has been paid in the cases enumerated by witness; the officers, however, would have gone on longer if they had not been exposed, having all started for the purpose of obtaining money under false pretences, 3067-3072 —— With respect to the part taken by witness in exposing fraudulent assurance offices, he is the publisher of the "Post Magazine," which is devoted to the subject of life assurance, 3078——Remarks on the formation and dissolution of the "European Alliance Full-pay Insurance Company," which was fraudulently projected by George Octavius Etherwill and William A. Arnati, and registered on 21 September 1852; prospectus of the company handed in, 3079. 3082.

Within the last six months an office, called "The Universal Life and Fire Insurance Company," was started by a person calling himself Sir John William Dixon; prevention of the frauds attempted through means of this office, 3079-3081——Witness is cognisant of more than a dozen offices projected since the Act of 1844, for the purpose of obtaining money under false pretences; many of these were not registered, though they all stated they were "Empowered by Act of Parliament," 3083-3086. 3112, 3113——Reference to an office called "The People's Life Annuity and Endowment," formed in 1846, against which there are several unpaid claims, 3087——There are claims to the extent of 20,000 *l.* against the "United Kingdom Cattle Assurance Company," 3087——Insolvent condition of the "Farmers' and Graziers' Mutual Cattle Assurance Company," who are issuing policies at the present time, 3087.

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People's Life Annuity and Endowment Society. Reference to an office called "The People's Life Annuity and Endowment Society," formed in 1846, against which there are several unpaid claims, *Pateman* 3087.

Periodical Returns. Great advantage would result from periodical returns of the liabilities and assets of the offices being made to the Registrar; there is no necessity for an uniform period being fixed; the institutions themselves might fix the periods of making these returns, *Ansell* 726-728——Witness places very little confidence in the periodical accounts which are taken by the different offices for the purpose of dividing bonuses, *ib.* 781—— Evidence in reference to the accounts, or rather returns, which witness suggests it would be desirable to have recorded periodically, *ib.* 858, 859——Proposal that the periodical investigation balance sheets should be accessible to the public, in the same manner that the balance sheets are under the present Act, *Thomson* 911——A common form for a periodical investigation balance sheet might be adopted, such as would not throw any material impediment in the way of the different offices, although using different data, in making out a balance sheet in a satisfactory way, *ib.* 911-915. 995-999.

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Ansell, *Farr* 3268——Inexpediency of requiring all assurance offices to make up their periodical balance sheets, including a valuation of their assets and liabilities at the same time and in a precisely similar form, *Neison* 3733-3735.

See also *Assets and Liabilities.* *Government Audit.* *Investigation of Affairs.* *Publication of Accounts*, 1. 2. *Valuation of Assets.*

Policies. Witness, as Registrar, has no control over the issuing of policies, *Whitmarsh* 122-126——In the event of the issue of a policy previously to complete registration the legal remedy of the insured would be affected, as such policy would not give a good claim against the company, *Taylor* 460-463. 486——Calculation as to the value of policies at the end of the first year of an assurance society, supposing the lives to have been selected with care, *Downes* 1151, 1152——The larger proportion of the policies are effected for the whole term of life; there is much greater variety in the character of policies than there used to be, there being a greater number of temporary policies, *Ingall* 1777-1779——Objection to assurance companies making returns to Government of the amount of duty on life policies in the same way that returns are made on fire policies; the information thus afforded to the public as to the amount of business carried on by life assurance offices could not be relied upon, *Higham* 2550-2554——How far it might be desirable that every office should return the actual amount of assurances effected during the year, and should pay a stamp duty accordingly, *Farr* 3390-3394.

See also *Abandonment of Policies.* *Fraudulent Companies.* *Friendly Societies.* *Lapsed Policies.* *Limited Liability.* *Purchase of Policies.*

Port of London Shipowners' Loan and Insurance Company. Particulars as to "The Port of London Shipowners' Loan and Insurance Company," projected by Collingridge; the company soon closed with claims against it for 120,000 *l.*, *Pateman* 2985-2992.

Pot-house Clubs. see *Friendly Societies*, 1.

Pratt, John Tidd. (Analysis of his Evidence.)—Registrar of Friendly Societies in England, 494—— Under the Act 13 & 14 Vict. c. 115, s. 2, no friendly society can now be established which assures a sum exceeding 100 *l.* at death, or an annuity exceeding 30 *l.* per annum, or a sum in sickness exceeding 20 *s.* per week, 495-497——Friendly societies are in fact assurance associations intended for the benefit of the poorer classes, who are not able to assure for themselves in the larger companies, 498-500——Several societies established under the Friendly Societies Act have granted assurance to a higher amount than 200 *l.*; there are a few societies enrolled under the Friendly Societies Act, and also registered under the Joint Stock Companies Act, to enable them to carry on their operations to a larger amount, 501-509——There is no distinction between friendly societies, as far as they apply themselve to life insurance, and mutual assurance associations, 510, 511.

Nature of the returns annually made by friendly societies to the Registrar, of the management of their business; separate accounts are kept of the business with reference to life assurance and of the payments made to members for sickness, 512-515——Opinion that the friendly societies very seldom fail to discharge the obligations which they have incurred, 516-518——The present mode of conducting assurance business by the friendly societies is objectionable, inasmuch as their tables are never certified by an actuary, and therefore there are no data upon which they can go; causes to which the reluctance of friendly societies to having certified tables is attributable, 519-528——Reference to the tables for sickness and mortality now in course of construction by Mr. Finlaison; the intention is that they should be printed and circulated all over the kingdom, which will be the best way to lead the friendly societies to adopt those tables, 522-524.

Doubts as to whether the rates paid by members of friendly societies are sufficient to enable the society to meet all its obligations; many of these societies must have failed but for the amount of honorary contributions which they have received, 529-534——Statement relative to the difference between certified and registered friendly societies as to the advantages and privileges they respectively enjoy under the last Act, 535-548——Remarks relative to the privilege of nomineeship granted to friendly societies under the 4 & 5 Will. 4, c. 40, s. 2; 549-551——Evidence as to the complaints against associations formed as friendly societies and possessing the privileges attached to those societies, when in truth they have become practically insurance offices for large transactions; opinion that there are no grounds for such complaint, 552-557.——With regard to friendly societies granting insurances, witness has nothing to add to the evidence given by him last Session before the Friendly Societies Committee, 558-560——Sufficiency of the present Act with regard to the returns made by friendly societies, as those now made afford ample means of obtaining any information required, 561.

Preliminary Expenses. Observations as to the preliminary expenses incurred in getting up assurance companies, *Whitmarsh* 92——In the case of mutual offices, the first premiums received are more than swallowed up by the preliminary expenses; vast amount of these expenses, *ib.* 136——With respect to the preliminary expenses, they are paid out

Preliminary Expenses—continued.

out of the general fund of the company, and not out of any fund separately subscribed for the purpose, *Downes* 1172-1175——The preliminary expenses of an assurance office, and the expenses of the early years of its existence, are much greater now than they were formerly; this arises chiefly from increased competition, *Edmonds* 1257-1260——Remarks with respect to the expenditure attendant on the starting of a mutual office, and the quarter from whence such expenditure should be defrayed, *Neison* 2283-2289. 2319-2325——Advisability of a liberal expenditure in order to obtain a remunerative amount of business; there is, almost always, some capital provided in every mutual office in order to launch the concern into public notice, *ib.* 2284-2289. 2319-2325——Remarks on the sources of expense attendant on the establishment of an assurance office; a ramified system of agency throughout the country is the best mode of obtaining business, *ib.* 2324, 2325——A very considerable sum may be expended at the commencement of an office without at all damaging the ultimate security, even though it should be paid out of capital and not out of premiums; the earlier expenditure is the price of the business, *Colvin* 2942-2960.

See also *Expenditure.* *Guarantee Fund,* 1. *Paid-up Capital,* 1.

Premiums. Observations relative to the calculation of premiums of insurance offices; the rate of interest on capital within any probable dimensions would scarcely affect premiums, *Finlaison* 594-599. 683-701——Witness never saw, nor can he conceive the case of an office accepting premiums that would be below the full arithmetical risk, *ib.* 698, 699——Remarks relative to the ordinary mode of calculating the premiums of assurance companies, *Ansell* 744, 745——It should be required that the offices should state not only what premiums had been received in the by-gone years of existing assurance, but the value of the premiums that were expected to be received in future years, *ib.* 814——The older companies started with higher rates of premium than have been adopted by the majority of the new companies; this has enabled them to distribute bonuses, and in other ways to give advantages to the assured, *ib.* 833, 834——The chief element of uncertainty is the mode of valuing the liabilities arising from the irregular way in which the offices frame their tables of premiums originally, *ib.* 844.

Objection to the valuation and exhibition in the balance sheet of the difference between the net and gross premiums, *Thomson* 923——The Legislature should not interfere to regulate the rates of premium, except to such extent as the proposed Government officer might think necessary to interfere, *ib.* 1009-1017——Remarks relative to the premiums charged by different offices; some offices calculate their premiums at a high rate of mortality and a low rate of interest, *Downes* 1105, 1106——Statement as to the manner in which the premiums are computed by the Legal and General office; amount put as loading on those premiums, *Edmonds* 1235-1241——One test that would enable the public to judge of the security of assurance offices would be, that one-half of the premiums received on existing policies should be in hand at any future time, *Ingall* 1767, 1768——Witness considers the offices are very deficient in the materials for properly estimating the premiums, *ib.* 1967.

Circumstance of some offices charging 3 *l.*, and others only 2 *l.* annual premium, for insuring 100 *l.* at the age of 30, *Ryley* 2853-2859——The public are much more favourable towards those offices which charge a high rate of premium, than towards those which charge a seemingly small or insufficient premium, *ib.* 2854——Consideration of the question as to the amount of premiums which should remain on hand in order to prove the solvency of any company; correction of Messrs. Christie & Brown's conclusions on this point, *Colvin* 2938-2948. 2954, 2955.

See also *Annual Accounts.* *Assets and Liabilities.* *Bonuses.* *Expenditure,* 1. 2. *Friendly Societies,* 2. 3. *Guarantee Fund.* *Limited Liability.* *Mutual Offices.* *Number of Companies.* *Paid-up Capital,* 1. *Preliminary Expenses.* *Reduction of Premiums.* *Reserved Fund.* *Risks.* *Valuation of Assets.*

Prince of Wales Assurance Office. The Prince of Wales Office is a proprietary office, with a paid-up capital of 10,000 *l.*, the subscription capital being 200,000 *l.*; the company has been established about eighteen months, *Hornby* 2556-2565.

Profits. Remarks relative to the profits of assurance offices; the public form very exaggerated notions of the profits on life assurance, *Ingall* 1851-1854.

See also *Anticipation of Profits.* *Bonuses.* *Lapsed Policies.*

Promoters of Offices. Frequency of the same parties being repeatedly engaged as the promoters of insurance companies; there are some persons who act as a sort of traders in the formation of insurance companies, or companies of a particular kind, *Taylor* 489——Recommendation that the registrar have power to inquire into the characters of the promoters of every assurance office, and to take measures accordingly for the security of the public, *Pateman* 3167-3169. 3179, 3180.

See also *Guarantee Fund,* 1. *Mutual Offices.*

Report, 1852–53—*continued.*

Proprietary Offices. A proprietary company has not only a subscribed capital, but also has a liability to any extent, on the part of the proprietors, to those assured, *Whitmarsh* 209——Proprietary companies should have a paid-up capital; it is very undesirable for the public merely to have to trust to the responsibility of the proprietors, *Downes* 1200–1203——In proprietary companies the proprietors are liable to the full amount of their subscribed shares, and some even without limit, *Ingall* 1956, 1957——Opinion as to the advantage of proprietary over mutual institutions, *Higham* 2476.

See also *Accounts. Guarantee Fund. Mutual Offices. Paid-up Capital. Shareholders.*

Prospectuses. Companies were permitted under provisional registration to issue prospectuses provided they registered them at the Registrar's Office; this was considered burdensome, and the practice was discontinued, under the authority of the Act 10 & 11 Vict., *Whitmarsh* 17–20. 158-161——Since the discontinuance of the registration of prospectuses the companies issue what they like; frequency of these prospectuses deviating extremely from the original intention of the company when provisionally registered, *ib.* 21–26——Security afforded to the public by a copy of the prospectuses being furnished to the registrar, *ib.* 162.——*See* also *Provisional Registration.*

Provisional Registration. Observations of the Committee upon the subject of provisional registration; with regard to such registration it appears that the law, as it now stands, does not afford the security which was contemplated by the Act of 1844, *Rep.* iii——Remarks relative to the provisional registration of companies; steps necessary for procuring the same; object of this description of registration, *Whitmarsh* 9–16——Witness has no discretionary power over provisional registration beyond seeing that it is in accordance with the terms of the Act, *ib.* 104, 105——With regard to the formation of companies, every company before it is allowed to take any steps to form itself must be provisionally registered, and before it can enter upon its business, it must be completely registered, *Taylor* 266——The number of companies completely registered is about a third of those provisionally registered; very little importance should be attached to provisional registration in any way, *ib.* 294, 295. 436–438——Instances have occurred of companies which have only been provisionally registered, issuing prospectuses, and conducting business as insurance companies, *ib.* 439–444.

See also *Capital. Joint Stock Companies' Act*, 1. *Prospectuses. Registered Companies.*

Public Funds. Witness does not consider that any decrease in the rate of interest in the public funds would materially affect the stability of assurance offices, *Downes* 1217–1219——The repudiation of the National Debt is a possible contingency in favour of the expediency of a paid-up capital, *Higham* 2548, 2549.

See also *Capital. Investment of Capital. Paid-up Capital*, 1.

Public, The. Remarks as to the distress occasioned by parties imprudently investing their money in unsound joint stock companies, *Whitmarsh* 238–242——Any system that would go to strengthen public faith in the solvency of life insurance offices would be a great national benefit, *Finlaison* 648——There is a sufficient amount of information now before the public, with regard to the condition of assurance societies, to enable them to come to a fair judgment as to the general management and condition of each society; inquiries are at times made for particular information, which is always supplied by the offices, *Downes* 1142–1146——Opinion that with regard to one-third of the existing assurance offices in London there is a feeling of want of confidence in their solvency, *Edmonds* 1440–1459——How far the amount of business transacted by an assurance office is any proof of the existence of public confidence, *ib.* 1461–1469——The public have quite as much control over their interest and stake in a life assurance office as over their stake in a bank, *Neison* 2225–2230——Opinion that the public generally have every confidence in existing assurance societies, *ib.* 2305——How far the public take proper precautions before assuring their lives in any company, *Ryley* 2860.

See also *Abandonment of Policies. Fraudulent Companies. Management.*

PUBLICATION OF ACCOUNTS:

1. *Evidence generally with respect to the Publication of the Accounts.*
2. *Remarks as to the Information to be obtained therein.*
3. *How far it is possible to have a Form of Account applicable to all Offices.*

1. *Evidence generally with respect to the Publication of the Accounts:*

Opinion that if the system of publishing accounts is in future to be persevered in, the law must define more clearly what it requires, and that a greater power should be given to enforce whatever provisions are thought necessary for the purpose, *Rep.* iii, iv——Observations of the Committee as to the securities which can be afforded to the public by

Report, 1852-53—*continued.*

PUBLICATION OF ACCOUNTS—continued.

1. *Evidence generally with respect to the Publication of the Accounts*—continued.

by the publication of periodical accounts, *Rep.* vi, vii——Recommendation that every five years, or at certain periods, an account showing the exact position of the company as to its real liabilities and assets should be returned to the Registry Office; the principle should be made uniform, and it should be made to apply to all companies, *Taylor* 332-359——Opinion that the publication of periodical accounts of the liabilities and assets by insurance companies would be of as great use to the offices themselves as to the public at large, *Ansell* 779, 780——The public would be enabled from the accounts proposed to be published periodically, to draw safe conclusions, *ib.* 848-852.

If periodical accounts were made, and annual accounts given, it would give to persons pretty well informed upon the subject a good notion of the position of any particular office at any time, *Ansell* 854-857——There is a growing desire on the part of the existing offices to make their returns more public, and less disposition to withhold from the public information which they would have objected to furnish some years ago, and which would enable actuaries to determine what is the true rate of mortality among assured lives, *Ingall* 1968-1973——The old offices would be very willing to satisfy the Government that they were in a sound condition, but having once done that they would consider it vexatious to be obliged to make an annual return, *ib.* 1974-1977——With regard to publishing accounts, if one office be called upon to do it all offices ought to be called upon; there would be little or no objection, *Jellicoe* 2044-2047——The publication of an account of assets and liabilities should rest with the discretion of the society, and should not be rendered imperative by Parliament, *Neison* 2254-2267. 2341-2344.

No public advantage would result from each company being obliged to lodge certain accounts in some public office, to which the persons interested in such company might have easy access, *Neison* 2259, 2260——A jealousy exists from the fact of recently established companies being compelled to publish accounts, whilst the older offices are exempted from doing so; this jealousy would be best removed by withdrawing the obligation from the new companies, *ib.* 2264-2267——The published accounts of assets and liabilities recommended by witness should be lodged with the Registrar of Joint Stock Companies, *Higham* 2516——Approval of Mr. Higham's suggestion that every company should furnish a simple statement of their assets and liabilities; the present mode of compiling the accounts is not satisfactory, *Hornby* 2578-2580. 2588, 2589——The return delivered in by Mr. Morgan before the Committee of 1844 would enable any one to determine the precise state of any society, *Farr* 3268.

2. *Remarks as to the Information to be obtained therein:*

Recommendation that it should be imperative upon each company to make a complete investigation into its affairs at least once in five years, and that all such valuation of accounts should be registered in the office of the registrar, *Rep.* vii——Statement of the information which should be contained in the returns from assurance offices to be made periodically to the Registrar's office, *ib.*——Nature of the information which should be given in the proposed form of balance-sheet of the companies; how far the return should enter into minutiæ of the accounts, *Taylor* 318-323. 332-359——The statement even of the receipts and payments of one year is of some value in showing the progress of the company, but if to that statement was appended the annual statements of the four or five previous years it would be an improvement, *ib.* 432-435——An account could be made out by all offices, showing whether each office is in a satisfactory condition, but it involves a difficulty as to what data it would be proper to use under the particular circumstances of such account, *Ansell* 764-766——With the elements of the account proposed, published periodically, it is witness's opinion that some very simple account from year to year, in the intermediate period, would be sufficient to show the progress of the companies, *ib.* 794.

In any account that was published it would be essential that the assets of the company should be stated in such a mode as to show of what they consisted, *Jellicoe* 2102-2106——Suggestion that every assurance company be compelled to publish a simple statement of its assets and liabilities, without any comments on the value of the same; explanation of the mode in which this account should be drawn up; table produced in illustration thereof, showing the value of the liabilities of a life assurance company in terms of the annual premiums, *Higham* 2438-2470. 2515-2525——The offices should render a better form of account than they do at present; some general principles of guidance might be laid down on this point, *Pateman* 3127-3130. 3158-3162——It would be a great advantage to sound offices if they were compelled to publish a perfectly intelligible return, *Farr* 3291, 3292. 3316-3319——The annual accounts should be simple statements of receipts and expenditure as at present, and periodically there should be complete returns of all assets and liabilities, *Colvin* 3590-3612.

3. *How far it is possible to have a Form of Account applicable to all Offices:*

Opinion that no fixed form of account could be made applicable to all cases which would not be exposed to much evasion, or which would practically afford any real security, *Rep.* vii——Some such general statement would be of much greater utility in enabling the public to come to some correct judgment as to the condition of an office,

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Publication of Accounts—continued.

3. *How far it is possible to have a Form of Account applicable to all Offices*—continued.

than any form of account that could be adopted, *Rep.* vii——Recommendation that some prescribed form should be adopted in which the companies should return their balance sheets to the registry office; the accounts ought to be not only in a more perfect state, but in a uniform state, *Taylor* 310, 311——How far it would be possible to construct an account which could from time to time present to the public, or to the shareholders of an insurance office, a fair and systematic statement of the condition of the office, *Finlaison* 580-588. 660-667——There would be great difficulty in laying down any general average rule under which accounts should be furnished by the insurance offices giving a clear insight into their condition; difference of opinion among actuaries as to the rates of mortality, *Ansell* 744-784.

Opinion that the return of a few simple facts would be better than any stated form of account, viz., the total amount of the liabilities of an office, the total amount of assets, the amount of annual premiums, and the amount of annual expenses; if these facts were given by different offices, the public would be able to form a very good idea of the relative safety of the several offices, *Ingall* 1841-1848. 1883-1890——In furnishing accounts, witness has no faith in any uniform form; the character and nature of the accounts should be left to the offices themselves; it would be possible to give some general features and facts as to the condition of the office, and an outline of the mode in which they transact their business, *Jellicoe* 2048-2059——Any form of account that might be adopted for showing the public at once the condition of a company as to its solvency, would be liable to constant evasions and fraudulent statements, *ib.* 2093-2101——How far it would be possible to construct an account which could from time to time present to the public and the shareholders a fair and systematic statement of the condition of the office, *Farren* 2766-2816.

See also *Annual Accounts.* *Germany.* *Investigation of Affairs.* *Joint Stock Companies Act*, 1. *New Offices.* *Periodical Returns.*

Purchase of Policies. Insurance offices are frequently in the habit of buying up their policies; it is a perfectly safe practice for the offices, as they never give the full value, *Finlaison* 578, 579. 690-692——Small profits made by insurance offices by the purchase of policies; it loses more by the loss of business, *Downes* 1107——Remarks relative to the prices fetched by policies in the market; the price is a good deal regulated by what the office itself will give for the policy, *Edmonds* 1443-1448. 1458-1460; *Neison* 2229-2236——There is no common principle adopted by assurance offices with respect to the purchase of dropped policies; profits arising from this source, *Farren* 2795-2803. 2814-2816.

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Reciprocal Fire Assurance Company. One Company started by Richard Wilsdon Morris was the "Reciprocal Fire Assurance;" it was not registered, and has no deed of settlement, but still professed to be incorporated under the Act of 1844; part taken by witness in exposing the frauds of this company; one of their policies for 600 *l.* handed in, *Pateman* 3048-3050. 3055-3057.

Reciprocal Life Assurance Company. Remarks as to the formation of the "Reciprocal Life Assurance Company;" this company was started by Richard Wilsdon Morris, under the name of G. R. Herbert Denison, and was duly registered under the Act of 1844; there were two branches in connexion with it, and considerable frauds were perpetrated by the directors; prospectus of the company produced, *Pateman* 3046-3048.

Reddish, Mr. John. Letter from Mr. John Reddish to Mr. J. Wilson, M.P., dated 28 March 1853, stating his views with regard to the required legislation on assurance companies, *App.* 349-351.

Reduction of Premiums. It is customary for offices to reduce their rates of premiums from time to time, *Ingall* 1812; *Farren* 2723.

Registered Companies. Tabular statement of the insurance companies provisionally registered under Act 7 & 8 Vict., c. 110, in each year, from the passing of the Act to 30 April 1853, showing the number of these which have been completely registered, and also the number of completely registered companies which are still existing, the number which are dissolved or abandoned, and the number which have failed to make returns during the year 1853, *App.* 358, 359——Return of all insurance companies provisionally registered and completely registered under the Acts of 7 & 8 Vict., c. 110, and 10 & 11 Vict., c. 78, with the dates of their provisional and complete registration respectively, the amount of the capital of each, the amount of the shares into which such capital is divided, the amount of capital paid up, and the number and dates of the accounts registered by each company, so far as such particulars are contained in any returns registered by the said companies, from 1 November 1844 to 30 April 1853, *ib.* 360-377.

See also *Number of Companies.* *Registration of Assurance Offices.*

Report, 1852–53—*continued.*

Registrar of Joint Stock Companies. Remarks of the Committee as to the Registrar's office, duties and powers, *Rep.* v, vi.——Insufficient power which the existing Act confers upon the registrar, to give effect to the provisions of the law, *Rep.* vi.; *Whitmarsh*, 41–49——*Thomson* 865; *Pateman* 3117, 3118——Opinion that whatever duties may be entrusted to that officer under any Act to be passed, it is essential that adequate powers should be provided to enable him to enforce any regulations that Parliament may think fit to enact, *Rep.* vi.——Suggestion that there should be a separate registry of assurance companies; desirableness of having some public officer at the head of that registration thoroughly acquainted with the business of life assurance, *Ansell* 858——Nature of the duties that might be performed by this officer; the want of such an officer seems to have been felt by the present registrar, *ib.*——It would be an improvement if a full return was annually made by the registrar to Parliament of all returns made to him; Parliament should call for a return from the Registrar of Joint Stock Companies, of every document and paper registered since the Act of 1844 came into operation, *ib.*——It would be a great improvement to the present Act if the registrar had power, in case of undue practices by any Company, to interfere either by advertising the public of the fact, or in some way to stop the business of the office, *Pateman* 3179, 3180.

See also *Balance Sheets*, 1. *Deeds of Settlement. Penalties. Policies. Publication of Accounts*, 1.

Registration of Assurance Offices. Observations of the Committee as to the registration of existing assurance offices, *Rep.* v., vi.——Opinion that it would be highly advantageous to all parties if all companies, both those existing and those that may in future be formed, could be placed under one general system of registration, *ib.* vi.——In accomplishing this, the Committee recommend that the requirements for registration, as regards existing companies, should be as simple as possible, but that whatever periodical returns may be deemed necessary, should be the same as regards all companies whatever, *ib.*——Opinion that the public derive great advantage and security from the registration under the Act of 1844, although there is a great defect in the state of the law, *Whitmarsh* 224–228.

See also *Board of Trade. Complete Registration. Joint Stock Companies Act. Mutual Offices. Provisional Registration. Shareholders.*

Remuneration of Officers. Suggestion that the Registrar should have power to reject those clauses in the deed of settlement which provide that certain persons shall be managers and officers, and that they shall receive certain salaries, *Pateman* 3135–3153——Justification of those clauses in the deeds of settlement of assurance offices which provide for the payment of a certain rate of remuneration to the managers, *Robertson* 3547, 3548.

Reserve Fund. Proportion of the premiums on existing policies which should be retained as a safe reserve, *Ingall* 1919–1991.——*See* also *Expenditure*, 1.

Responsibility of Partners. Objections to the responsibility of the partners in a joint stock life assurance office ceasing after three years, as provided by the 66th section of the Registration Act, *Thomson* 868.——*See* also *Limited Liability. Unlimited Liability.*

Returns:

1. *Assurance Offices.*
2. *Friendly Societies.*

1. *Assurance Offices:*

Under the Registration Act, there are returns to be made to the Register-office, as long as each company continues in existence, *Taylor* 266——Nature of these returns, *ib.* 279, 280——The accounts of assurance offices returned to the Registrar of Joint Stock Companies are very imperfect for many objects; still they convey sufficient information to enable persons to form an opinion as to the soundness or unsoundness of the institutions to which the accounts particularly refer, *Ansell* 704–725——Recommendation of the preparation of the accounts in the form adopted by the Equitable Society, and mentioned in the Report of the Committee of 1844, *Higham* 2518–2520——Circumstance of the Registration-office refusing to give a voucher for the receipt of certain returns lodged with them, *Colvin* 2899–2902——Correction of a statement by Mr. Colvin that the Registration-office refused to give receipts for any papers or returns lodged therein by assurance companies, on the ground that they were not required to do so by Act of Parliament, *Pateman* 3181——Admission by witness that he was under a misapprehension in stating that the Registrar's office habitually refused to give vouchers for documents returned thereto by assurance companies, *Colvin* 3447, 3448.

2. *Friendly Societies:*

Nature of the returns annually made by friendly societies to the Registrar, of the management of their business; separate accounts are kept of the business with reference to life assurance, and of the payments made to members for sickness, *Pratt* 512–515 —— Sufficiency of the present Act with regard to the returns made by friendly societies, as those now made afford ample means of obtaining any information required, *ib.* 561.

See also *Accounts. Annual Accounts. Balance Sheets. False Returns. Inspection of Returns. Periodical Returns. Policies. Publication of Accounts. Registrar of Joint Stock Companies.*

Report, 1852–53—*continued.*

Reversions. There is no difference of opinion between actuaries as to the valuation of reversions, *Ansell* 845–847.

Risks. Witness considers that a valuation, upon just principles, of the outstanding risks would be a material part of an account of every assurance office; manner in which this valuation should be arrived at, *Ansell* 808, 809——It would require a very large and costly Government department to check the value of all the outstanding risks, *ib.* 810——Opinion that it would be very difficult to agree upon any principle upon which every assurance office should value its outstanding risks, *ib.* 812——In testing the probable prosperity of an office, it would be advisable to compare the value of the outstanding risk of the present year with the value of the outstanding risk at the end of the immediately preceding year, *ib.* 820, 821——Witness does not consider that a considerable influx of young lives into an office would not alter the view of the prosperity of the institution, as every insurance brings its own responsibilities, *ib.* 823, 824——Evidence to the effect that, under the most careful computations based on averages, a state of circumstances may arise so disadvantageous to an assurance office as to require more than any ordinarily computed premium would cover, *Farren* 2622-2624. 2627-2640. 2649–2673——Prudent resolution adopted by some young offices of limiting to moderate terms the risks they will undertake on a single life, *ib.* 2654–2661.——*See* also *Limited Liability. Scotland.*

Robertson, Alexander. (Analysis of his Evidence.)—Is connected with the Indisputable Life Policy Company, 3396——The Act of 1844 has had a very hurtful effect, inasmuch as it gives a false credit to assurance offices, and facilitates the establishment of fraudulent companies, 3397–3406——Objections to the proposal that each office should have a certain amount of paid-up capital as a security for the assured, 3407–3411. 3441–3446——A paid-up capital is totally inconsistent with the principles of mutual assurance, and those principles are the purest and best that can be devised, 3408——Almost all mutual companies subscribe voluntarily a certain capital, but they should not be compelled to do so compulsorily by Act of Parliament, 3409–3411. 3418–3423——Remarks on the expenditure of mutual and proprietary offices; the expenses under the mutual system should be much less than under the proprietary system, 3412–3415.

Under all mutual offices, except the Equitable, the funds are alone responsible for claims; the parties assured are not liable, 3416. 3424–3427——Provision for guaranteeing claims made by the directors of the Indisputable Office, 3420–3423——Life assurance is very much extending among the humbler classes of society; objection to freehold societies as checking its increase, 3428–3433——Observations relative to the principles on which the balance-sheet should be prepared, and a proper valuation of assets determined, 3434–3437. 3439, 3440——Opinion that too large a return is given by the offices for lapsed policies, 3438——The inexpediency of a paid-up capital is shown by the fact that the "Independent West Middlesex Company," which was a fraudulent office, had a capital of 10,000 *l.* in the Bank of England, 3441–3446.

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Sceptre Fire and Life Assurance Company. Failure of the "Sceptre Fire and Life Assurance Company," out of which two new offices have arisen, *Pateman* 3087.

Scotland. In Scotland the usual rate of interest at which risks are computed is three per cent., *Thomson* 937. 1070——Particulars relative to the meetings of a considerable number of important offices in Scotland with reference to the contemplated amendment of the law regarding life assurance associations; copy of the resolutions agreed to, *Jellicoe* 2060-2070——In those resolutions they agree with the Institute of Actuaries, *ib.* 2063-2066——Statement of the views entertained by managers of life assurance offices in Scotland with reference to the contemplated amendment of the law regarding life assurance associations, *App.* 379-381.

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Sea, Fire, Life Assurance Society. Evidence as to the formation, career, and winding-up of the "Sea, Fire, Life Assurance Society;" this society was projected by Augustus Collingridge and two or three others; part taken by witness in exposing it through the "Post Magazine," the first call to meet the liabilities amounts to 120,000 *l.*, *Pateman* 2992-3027——Prospectus of the society, *App.* 386-390.

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Shareholders. Opinion that the requirement of the law, that the members of mutual assurance societies should be registered, is of no real utility to the public or the assured, while it is both expensive and troublesome; and that all the objects of the law would be answered by a registration of the directors and other officers of such societies, *Rep.* vi ——All the subscribers are registered in the Registrar's office; this condition of the Act must be complied with, as the parties would have no title to their shares without their being registered, *Whitmarsh* 61–65——The names of all assurers in a mutual office should be registered as subscribers, *ib.* 140–151——Objection made by certain mutual assurance offices to registering half-yearly the names of their new members on account of the expense; relief afforded by the Treasury to those offices, by reducing the amount of the fee for registration of new members, *ib.* 140–151. 229–233.

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Solicitors to Assurance Companies. Observations as to the duties performed by the solicitors to assurance offices; the duties of the solicitor are of a totally different kind to those of the actuary; advice given by the solicitor in cases of loans made on mortgages, &c., *Jellicoe* 2170–2190.

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Speculative Companies. Statement of the number of companies that have applied for provisional and complete registration in each year from 1844 to 1853, showing the number that have not proceeded further than provisional registration, *Whitmarsh* 80–84——Witness infers that those companies which have only been provisionally registered, and not completely registered, have been speculative attempts to get up life assurance companies, *ib.* 85, 86——Means by which, without unduly repressing competition, or unduly interfering with the formation of new offices, the public might be secured in the formation of new offices against purely speculative concerns which end unfavourably, *Ansell* 795——The Act of 1844 has failed in placing a proper check to the establishment of assurance offices conducted by incompetent or dishonest persons, *Farren* 2674–2678.

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Tables. Reference to the tables for sickness and mortality now in course of construction by Mr. Finlaison; the intention is that they should be printed and circulated all over the kingdom, which will be the best way to lead the friendly societies to adopt those tables, *Pratt* 522-524——Observations as to the tables in use by insurance offices, *Finlaison* 641; *Ansell* 749-782; *Edmonds* 1231-1233; *Jellicoe* 2152-2156; *Farren* 2690-2698. 2721, 2722——The Carlisle tables have only lately come into operation, formerly it was the Northampton table that was adopted, which was much more beneficial, *Finlaison* 641——Difference between witness's tables of mortality and the Carlisle tables, *ib.* 662-665——How far it would be possible to enforce the use of but one set of tables for their calculations; whether any advantage would result therefrom, *Ansell* 749-782——Table of mortality that witness would recommend, if the Government wished to make out a model table; grounds of complaint against the Northampton and Carlisle tables, *Edmonds* 1403-1406. 1427. 1504-1506——There is no table of mortality that can be applicable to assurance offices with regard to age alone; it must regard also the time for which a person has been a member, *Edmonds* 1424, 1425——Remarks on the construction of life tables, compiled from census returns, for the purposes of life assurance; new tables are now being prepared under the direction of witness, *Farr* 3222-3224——The older offices are now using correct tables, and great advantage would result if the later societies did likewise, *ib.* 3315, 3316.

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Remarks relative to the act passed in India in 1850, with regard to the management of joint stock companies; one provision of this Act, called an adjudication of forfeiture, is worthy of being imitated, 949, 950——Recommendation for the appointment of a Government officer, who should not interfere with the mode in which the Company carry on its business, but simply so as to test the accuracy of the periodical balance sheets; nature of the powers to be given to this officer, 951-967——Suggestion for the appointment of a professional auditor for every office to examine the ordinary accounts annually, and to report to general meetings of the shareholders; such reports to be put on record along with the annual balance sheet, 968-986——Particulars with respect to the duties performed by the professional auditor attached to all Scotch assurance offices, 973-985.

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Remarks relative to the appointment of the accountant-general of the Court of Session; nature of his duties; the appointment of this officer has been very beneficial, 1066-1069——Observations with respect to the rate of interest received by the assurance companies in Scotland on their capital; the highest rate has been five and the lowest three and a half per cent., 1070-1083——Statement of the rates of interest on landed security received by the trustees of the fund for a provision for the widows and children of the ministers of the church, and of the heads, principals, and masters of the universities of Scotland, 1074——Statement of the rates of interest on the loans on landed security made by the trustees of the writers to the Signet Widows' Fund, 1074——Explanation with reference to the difference between ordinary and investigation balance sheets; annual balance sheets without an investigation, cannot show the real state of a company's affairs, 1084——The statements put on record under the present Joint Stock Companies' Act are not balance-sheets, but statements of receipts and disbursements only, 1084.

Title Deeds. Witness is opposed to the suggestion that the companies might deposit their title deeds with a public officer, as a guarantee for good faith, in lieu of their depositing a certain sum of money, *Higham* 2473-2475.

Tontine Assurance Office. One of the new offices, "The Tontine," is now winding up in the Court of Chancery; a paid-up capital of 4,500 *l.* has been exhausted, and a call has been made of 1 *l.* 7*s.* per share; nearly all the policies have been transferred to another office, *Pateman* 3090. 3092-3102.

Transfer of Business. Observations with respect to assurance companies disposing of their business and transferring it to other offices, *Thomson* 1041. 1049-1062; *Edmonds* 1261, 1262; *Neison* 2307-2317——Instances have been known of companies handing over their business, and having to pay a balance of losses out of their capital, *Thomson* 1041. 1049-1062——Remark relative to offices that do not pay for transferring their business to other assurance companies, *Downes* 1148, 1149——There has been no transfer of business from fraudulent offices to *bonâ fide* ones, otherwise the assured would not have been sufferers, *Pateman* 3065-3067.

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United Kingdom Cattle Assurance Company. There are claims still existing to the amount of 20,000 *l.* against the United Kingdom Cattle Assurance Company, *Pateman* 3087.

United Mutual Mining and General Life Assurance Society. The United Mutual Mining and General Life Assurance Society was established in 1849, under the new Act, *Colvin* 2890, 2891——The United Mutual Mining Office was not one of those projected by Mr. Alfred Burt, *ib.* 3625, 3626.

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Universal Life and Fire Insurance Company. Within the last six months an office called "The Universal Life and Fire Insurance Company," was started by a person calling himself Sir John William Dixon; prevention of the frauds attempted through means of this office, *Pateman* 3079-3081.

University Life Assurance Company. General cash account of the University Life Assurance Society for the year ending 1 May 1851, *App.* 384-386.

Unlimited Liability. It would not be desirable that in the deed of a mutual company there should be a covenant for the unlimited liability of every partner to make good the claims upon the company, *Taylor* 407-410——There are very few societies in existence with unlimited liability, *ib.* 424, 425.

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Valuation of Assets. Opinion that in the case of insurance companies it would be rather hazardous to insist upon a valuation of the assets, from the peculiar character of the business; it would be attended with considerable trouble and expense to have an exact annual valuation of the assets, *Taylor* 312-317——The principle of insurance is extremely simple; there is no difficulty whatever in determining the actual condition of an office

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Opinion that sufficient information would be acquired by making periodical valuations and watching the accounts, without having annual valuations, *Ansell* 824——Principle on which witness proceeded in his examination of the valuations of insurance companies; in testing the situation of those particular offices witness took the groundwork of their own valuations, *ib.* 825-831——The valuation of the life assurance institutions of this country of any standing are made in such a manner as may be depended upon, notwithstanding the data may vary, *Thompson* 916-918——Difference of opinion among actuaries as to the safeness and correctness of any principle adopted in the formation of an account showing the condition of the company, *Downes* 1114-1119——In valuing the assets of an office the net premiums alone should be valued; the full premiums charged to the assured should be submitted to a reduction of about 12 per cent.; taking the full amount would obviously lead to a very inaccurate result, *Edmonds* 1282-1292——Observations as to the mode in which calculations are made of the assets; the office is justified in computing its existing condition according to the actual risk and the best tests of life which they can obtain, provided they do not include in their future assets any portion of the margin set aside for loading or expenses, *Ingall* 1808-1823.

Evidence relative to the mode in which witness would propose to value the assets of offices; statement of witness's views with regard to valuing the gross premiums; a company has no right to take credit for the gross premiums, without making any deduction either from the premiums or from the gross amount of its apparent assets for future expenses or contingencies, *Jellicoe* 2191-2214——In many cases the actuaries might naturally take too sanguine a view of the assets of their office, and without intending any wrong, place the same in much too favourable light before the public; opportunities possessed by actuaries for so doing in valuing the stock investments of the office, *Farren* 2779-2794. 2804-2813——Calculations of three different offices under similar circumstances coming to very different results, and proving that actuaries are greatly at variance with respect to the principles on which a valuation of assets and liabilities should be worked out; paper delivered in, *Ryley* 2826-2852. 2869-2875. 2877——Explanation of the course at first pursued by witness in valuing the gross premiums of his office, and in preparing the balance sheet, so as to show the general condition of the office and its prospects for the future; he entered into this detail under a mistaken impression that the Act required him to do so, *Colvin* 2961-2971——Table exemplifying two modes of valuing the liabilities and assets of an assurance office, so as with certainty to ascertain its condition, *Farr* 3395.

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